Austria ... Sch22	Indonesia ... Rp3100	Portugal ... Esc120	
Bahrain ... Din0.650	Israel ... NS3.50	S.Arabia ... Rls7.00	
Belgium ... BFr48	Italy ... L1700	Singapore ... S$4.10	
Canada ... C$1.00	Japan ... Y600	Spain ... Pta145	
Cyprus ... C£0.90	Jordan ... Fils 500	Sri Lanka ... Rup30	
Denmark ... DKr10.00	Kuwait ... Fils 500	Sweden ... SKr9.00	
Egypt ... E£2.25	Lebanon ... $L125.00	Switz ... SFr2.30	
Finland ... Fmk7.00	Lux ... LFr48	Taiwan ... NT$65	
France ... FFr6.50	Malaysia ... Rls4.25	Thailand ... Bht50	
Germany ... DM2.30	Mexico ... Pes300	Tunisia ... Din0.800	
Greece ... Dr120	Morocco ... Dh6.00	Turkey ... L600	
Hong Kong ... HK$12	Neth ... Fl3.00	UAE ... Dh6.50	
India ... Rup15	Norway ... Nkr10.00	USA ... $1.00	

FINANCIAL TIMES

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No. 30,562 Monday June 13 1988 D 8523 A

Britain fights to scrap its 'bad boy' image on pollution, Page 6

World News

Jackson backs Shultz criticism of Dukakis

Jesse Jackson sided with George Shultz, the US Secretary of State, who last week criticised Michael Dukakis, Jackson's rival for Democratic nomination for presidential candidate, for supporting the idea that the US embassy in Israel should be moved from Tel Aviv to Jerusalem.

Asked who he thought was right on the issue, Mr Jackson said: "Secretary of State Shultz is correct and every American President has taken that position. Moving the embassy to Jerusalem would not make Israel more secure." Page 2

USSR-Japan venture

Japan and the Soviet Union are to establish a joint venture on the Soviet far eastern island of Sakhalin in July for the artificial incubation of salmon and trout. Page 4

Greece to expel suspect

Greece intends to expel Mohammed Rashid, 34, a Palestinian suspected of terrorist bombings aboard two US jetliners, but will not extradite him to the US, Athens newspapers reported.

Swiss spurn truck policy

Swiss voters rejected a new transport policy which the Government had claimed would help it resist West German and Italian pressure to create a trans-Alpine corridor for 40-tonne trucks through Switzerland.

Kashmir clash

More than 100 people including 40 policemen were injured in clashes between angry demonstrators protesting against a 20 per cent increase in electricity charges in the north Indian state of Jammu and Kashmir.

Aids forecast

A further 1m people could expect to contract Aids over the next five years, the director of the World Health Organisation's global programme said.

Cathedral for Moscow

A new cathedral would be built in Moscow to mark the 1,000th anniversary of Christianity in the Soviet Union and the foundation stone would be laid today, the city's mayor said.

Rome in Lagos request

The Italian Foreign Ministry urged the Nigerian Government at the weekend to release an Italian cargo ship detained in Lagos harbour over alleged dumping of toxic waste. Page 4

Solidarity protest

About 2,000 supporters of Poland's outlawed Solidarity free trade union marched through Gdansk to back the union's call for a boycott of local council elections next Sunday.

Israel arson hits forests

A WAVE of fires which has destroyed tens of thousands of acres of forest and grazing land over the past few weeks appears to have been the work of Palestinian arsonists. Page 4

Pope condemns Mafia

The Pope urged residents of Reggio Calabria, one of Italy's most violent cities, to reject the Mafia and extinguish "the hatred and spirit of vendetta" it represented.

Grosz to visit Moscow

Karoly Grosz, Hungarian Premier and Communist Party chief, said he will visit Moscow early in July at Soviet leader Mikhail Gorbachev's invitation and then go to Warsaw and Washington DC

Argentine air crash

At least 20 people died when a Douglas DC-3 airliner of Argentina's domestic carrier Austral crashed near the city of Posadas.

Japan's yen for luxury

The strength of the yen and the high cost of goods in Japan is sending record numbers of Japanese on shopping sprees overseas. Page 4

Business Summary

EC calls for freeze on farm supports

EUROPEAN COMMUNITY asked governments to freeze support for production of cereals, rice, sugar, oilseeds, dairy products and beef at 1984 levels. Page 18

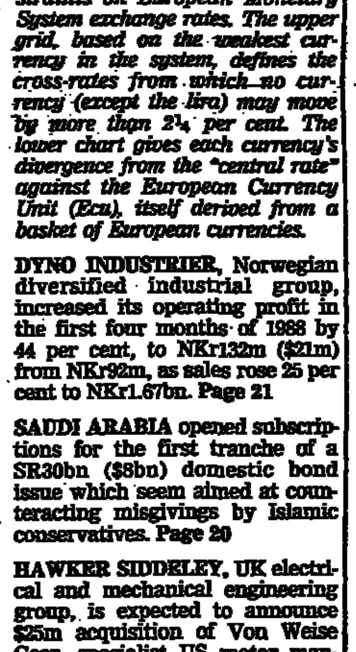
HONG KONG'S Futures Exchange criticised the formation of a securities commission for the territory, saying it could become alienated from the industry it was to oversee. Page 21

FRENCH stock exchange council is due to meet in Paris to discuss the trading losses of nearly FFr500m ($86m) it made last year on its own reserve funds. Page 21

EUROPEAN Monetary System: The French franc showed an overall improvement, with little pressure felt in the run up to yesterday's French general election.

The D-Mark was barely changed against its EMS partners but improved against the dollar, as the latter reacted to comments that long-term US interest rates could fall.

The Italian lira remained weak, although trading comfortably within its divergence limit.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

DYNO INDUSTRIER, Norwegian diversified industrial group, increased its operating profit in the first four months of 1988 by 44 per cent, to NKr132m ($21m) from NKr92m, as sales rose 25 per cent to NKr1.67bn. Page 21

SAUDI ARABIA opened subscriptions for the first tranche of a SR30bn ($8bn) domestic bond issue which seem aimed at counteracting misgivings by Islamic conservatives. Page 20

HAWKER SIDDELEY, UK electrical and mechanical engineering group, is expected to announce $25m acquisition of Von Weise Gear, specialist US motor manufacturer, allowing it to expand further in the US. Page 22

BUNDESBANK President Karl Otto Pöhl said in Frankfurt that the creation of a monetary union within the European Community was still possible, but was a long-term goal.

NEC, one of Japan's biggest electronics groups, achieved a more than two-thirds revival in worldwide net profits to Y25.36bn ($203.1m) in its year to March.

DIRECTORS and senior employees of newly floated UK companies have been making big tax-sheltered gains because of the share options granted to them in the six to 12 months before their companies went public, says a survey published today. Page 19

SOCIETY for Worldwide Interbank Financial Telecommunication said improvements to the Swift 1 datacommunications network, main channel for payments messages between banks, have been delayed. Page 18

WEST GERMANY'S exports climbed to DM50bn ($29.4bn) in March, helped by a surge in spending on capital goods in the rest of Europe and a fall in the D-Mark's value against other major currencies in 1988. Page 2

COMMUNISTS SCORE BIG GAINS ● LE PEN LOSES SEAT

Mitterrand falters in bid to dominate parliament

BY IAN DAVIDSON, PAUL BETTS AND GEORGE GRAHAM IN PARIS

PRESIDENT François Mitterrand last night appeared to have failed to secure an absolute socialist majority in the second round of the French general elections yesterday, as the country faced the prospect of a hung parliament.

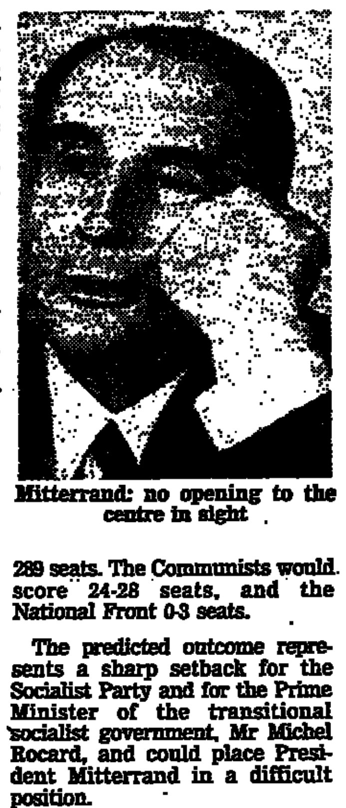
Early predictions placed the Socialist Party neck and neck with the combined forces of the traditional right wing parties, the UDF centre-right grouping and the neo-Gaullist RPR party.

The Communist Party appeared to have won an unexpectedly large number of seats, so that it would be likely to hold the balance of power in the new National Assembly.

The National Front as expected saw a sharp fall in its representation compared with the 35 seats it won in 1986, but some computer predictions left open the possibility that it might still have gained one or two seats. Mr Jean-Marie Le Pen, its leader, seemed to have lost in his Marseille constituency to a local socialist.

The IPSOS poll published on the TF1 televison channel gave both the socialists and the traditional right wing parties 275 seats each in the 577 seat National Assembly, with 25 for the Communists and two for the National Front.

The BVA poll on Antenna 2 network forecast 265-285 seats for both the main political formations, both of them still lying short of the absolute majority of



Mitterrand: no opening to the centre in sight

289 seats. The Communists would score 24-28 seats, and the National Front 0-3 seats.

The predicted outcome represents a sharp setback for the Socialist Party and for the Prime Minister of the transitional socialist government, Mr Michel Rocard, and could place President Mitterrand in a difficult position.

During the presidential election campaign and in the run-up to the general election, President Mitterrand repeatedly urged the case for an opening to the centre, and claimed publicly that it would not be "healthy" for a single party to govern by itself.

Last week, however, after the socialists' disappointing showing in the first round of voting, he adopted a different tone of voice and joined Socialist Party leaders in calling on the electorate to give him a clear and sizable majority in the National Assembly.

It cannot be excluded that President Mitterrand may, on the basis of his overwhelming re-election to the presidency last month, be able to secure the formation of a government majority which succeeds in attracting support from the centre, instead of depending on the Communist Party to his left.

But if not, it must be extremely difficult for Mr Michel Rocard to remain at the head of a government which would be dependent on Communist votes, partly because he is personally identified with the social-democrat wing of the Socialist Party and with the presidential aim of an opening to the centre, partly because the Communist Party has made clear that its support for the socialists would be negotiated on a case-by-case basis.

Mr Valery Giscard d'Estaing, former conservative president and tireless advocate of greater co-operation between right and left in France, last night refused to describe the outcome of the election as a victory over the socialists, but "perhaps as a victory over our hereditory enemy, the division of France". He said the result required the two halves of France to work together.

President Mitterrand's task of forming a centre-left government may have become significantly more difficult if the relative strength of the vote for the traditional right-wing parties encourages them to stick more closely together against the president. After President Mitterrand's re-election, the right-wing parties adopted a posture of "constructive opposition".

Yet Mr Raymond Barre, former conservative prime minister and a leading figure in the centre-right, has insistently hinted at the continuing case for co-operation with President Mitterrand's aspiration for an opening to the centre.

Mr Barre has called for the creation of an autonomous centre-right formation, which must be the pre-condition for any effective negotiation with the socialists. Tomorrow the centrist CDS party will consider whether to form an independent parliamentary group in the National Assembly.

Background, Page 3

US welcomes Sub-Sahara debt plan

BY STEWART FLEMING IN WASHINGTON

THE US Administration has welcomed the proposal announced last week by President François Mitterrand of France under which Western governments might agree to cancel up to one third of the debt owed to them by the poorest countries of Sub-Saharan Africa.

An Administration official, discussing the prospects for the forthcoming economic summit meeting of the leaders of the seven major industrial countries in Toronto on June 19-21, said: "we react positively to the Mitterrand statement".

The US response to the French proposal suggests that the problem of debt relief for the least-developed African countries areunlikely to be a source of dissension at the summit, as had previously been suggested in some quarters.

The Administration official also said that the US did not want a confrontation on agricultural policy at the summit. While acknowledging that "a rather spirited discussion" could be expected on the differences between the EC and the US on farm subsidy policies, he said the summit was not the place to try to resolve them.

Drawing a sharp line between official debt relief for the poorest countries and debt write-offs for middle-income developing countries, the official said that the US had "never said that we oppose granting relief" on the debts of the poorest countries, which were owed mainly to governments, "except to the extent that it would set an unfortunate precedent for middle income countries." However, he added, "We do strongly oppose and will continue to oppose suggestions of debt relief by private financial institutions."

The spokesman said the Administration itself could not simply forgive US official debts to the poorest countries because that would require Congressional approval. However, he added that the US would not stand in the way of other countries granting debt relief. Washington would also investigate the scope for extending loan securities, a means of offering some relief without the necessity for congressional sanction.

The official's comments appear to remove the threat that the issue of debt relief could become a source of dissent at next week's Toronto summit. The industrial countries attending the summit are anxious to to avoid disagreements which might disturb fragile financial markets.

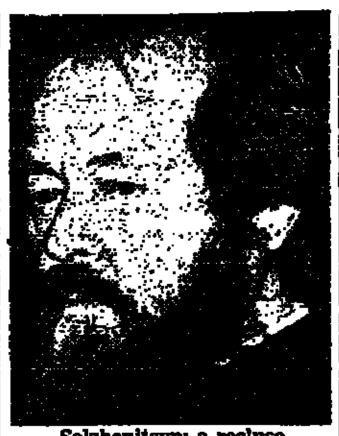
In interviews last week, Mr James Baker, US Treasury Secretary, who is widely expected soon to take charge of Vice-President George Bush's campaign for the US presidency, emphasised his determination to use the summit to put the spotlight on the successes of the Reagan Administration ahead of November's election.

"I think the world economy is in the best shape that it has been in going into any of the eight economic summits that I have attended with President Reagan,"

He also played down concerns that the stability of the dollar is now heavily dependent on official support by foreign central banks, citing an increase in private foreign investment into the US this year. He said that there was evidence that central bank purchases of US debt had fallen to roughly a quarter of what they had been last year.

Financial markets remain uneasy about the outlook for the dollar and inflation. The focus this week will be on US trade figures due to be published on Tuesday, as analysts look for evidence that the decline in the deficit in recent months is continuing and in particular for signs that imports of consumer goods are slowing while exports continue their rapid expansion.

North Africa faces the real challenge, Page 18



Solzhenitsyn: a recluse

Editor seeks to publish Soviet dissident

By Alan Friedman in Trento

A SOVIET magazine editor plans to contact Mr Alexander Solzhenitsyn within the next few days and seek the dissident writer's permission to publish two of his novels in the Soviet Union for the first time.

Mr Sergei Zalygin, editor-in-chief of the literary magazine, Novy Mir, said at the weekend that he intended to cable Mr Solzhenitsyn at his home in Cavendish, in the US state of Vermont, with a view to publishing Cancer Ward and The First Circle.

Mr Zalygin, who spoke to the Financial Times in the northern Italian city of Trento, said the publication of books by Mr Solzhenitsyn would be another sign that "things are changing in the Soviet Union."

"We have nothing to lose by asking, although I cannot know whether Solzhenitsyn will agree," the editor said.

The Nobel Prize-winning writer has been living a reclusive existence in Vermont for several years. None of his work has been published in the Soviet Union.

When asked whether he would be prepared to publish Mr Solzhenitsyn's politically controversial Gulag Archipelago, Mr Zalygin said he would, but added that he considered Cancer Ward and The First Circle "better works in literary terms."

He said that there were no political obstacles to the publication of Gulag, which recounts in graphic detail life in Soviet labour camps.

● Mr Zalygin is known to have been keen to publish Mr Solzhenitsyn's works for some time, writes Quentin Peel from Moscow.

His magazine was a leading liberal force in publishing during the 1960s and was believed to have been on the point of serialising Cancer Ward when publication was prevented.

Bonn moves towards an Airbus financing package

By Andrew Fisher in Frankfurt

THE WEST German Government is moving towards a solution to the financing problems of the costly European Airbus project which would allow the Daimler-Benz motor and industrial group to become involved with Messerschmidt-Boelkow-Blohm as *part of a restructuring* of the country's aerospace industry.

Daimler has made clear that it would not co-operate with, or take a stake in, MBB unless the financing burden of the German share of Airbus was taken care of first. MBB owns loss-making Deutsche Airbus, part of the European Airbus consortium which also includes British Aerospace, Aerospatiale of France, and Casa of Spain.

Bonn Government officials said at the weekend that members of the ruling centre-right coalition had broadly agreed that the Government should take over the existing DM3bn ($1.8bn) debts of the German end of the Airbus project as well as guaranteeing production and development payments.

These costs have involved the production of the A310 and the A320 which is entering production.

It may also seek to lessen the exchange rate risk caused by the lower value of the dollar against the D-Mark. The losses on the airbus programme have risen sharply because of the decline of the dollar, the currency in which commercial aircraft are priced.

If the proposed deal is approved, it would be likely to aggravate further the trade row with the US which has objected that European government subsidies to Airbus violate international law.

The news from Bonn follows deepening concern in British Aerospace about its potential liabilities. Professor Roland Smith, BAe's chairman, said recently that he wanted the British Government to provide some form of "insurance" on Airbus losses due to exchange rate changes and other factors beyond the company's control.

A year ago, the German Government agreed to spend DM5bn until the mid-1990s to support development of the Airbus range, including the new medium-range A330 and the long-range A340 aircraft. Britain and France agreed to put in £450m ($250m) and FFr6bn ($1bn) respectively.

Officials in West Germany said that any move to write off past debts could still be some way off. A spokesman for Daimler-Benz in Stuttgart also said that there were unlikely to be any quick decisions.

Continued on Page 18

EC faces major test of will over removal of capital flow controls

BY DAVID BUCHAN IN BRUSSELS AND ANDREW FISHER IN FRANKFURT

THE European Community's ability to maintain the momentum of its drive towards a single market will be put to a major test today when EC finance ministers decide whether to remove progressively all remaining controls on capital flows.

Concern on the part of two member states – France and Denmark – that capital liberalisation will increase tax evasion has recently put in question what had seemed to be a general willingness to move ahead with a directive which would allow the Community's citizens to open bank accounts, and its banks to lend, throughout the EC.

Chancellor Helmut Kohl yesterday reiterated the importance he attached to adopting the capital liberalisation move before West Germany gives up the rotating presidency of the EC Council of Ministers at the end of this month.

He expressed determination that the EC summit in Hanover at the end of June produce decisions furthering the aim of the single European market in 1992, singling out liberalisation of capital movements as one area in which he hoped for results.

Speaking at a gathering in Frankfurt to celebrate the 40th anniversary of the currency reform which created the Deutsche Mark, Chancellor Kohl said that the vision of European union was closely linked with that of a European currency union. This, too, would be discussed in Hanover.

Both he and Mr Karl Otto Pöhl, president of the Bundesbank, stressed that Europe should avoid protectionism as it developed its own internal market. "The Federal Republic should put its political and economic weight in the balance, so that the EC remains liberal and open not only internally, but also externally," said Mr Pöhl.

France and Denmark have, however, caused their EC partners increasing concern in recent weeks that they might make resolution of their worries about a possible rise in tax evasion a precondition of their agreement to the capital liberalisation directive.

France's EC partners are waiting for Mr Pierre Beregovoy, the French finance minister, to give a precision to the French position that President Mitterrand failed to provide in his talks with the Mrs Margaret Thatcher, the British Prime Minister, last Friday. Mr Mitterrand and his Socialist Party have campaigned in France's successive elections this summer on a promise to reintroduce a wealth tax.

France might be satisfied with an undertaking by its EC partners to use the period before the capital liberalisation directive comes into force – as yet undecided, but between one and two years – to work towards harmonisation of tax regimes on savings and portfolios.

But this might not meet the Danish Government's desire to prevent its citizens sidestepping the rigorous reporting by its banks to its tax authorities. A further problem for Denmark are the restrictions it places on foreigners buying holiday homes.

The issue of a special safeguard clause, allowing a country to reimpose capital controls in a currency crisis, is less contentious. Provision has been made for member states to reimpose controls unilaterally "on grounds of urgency", and then seek Community authorisation afterwards.

The four poorer member states – Spain, Ireland, Greece and Portugal – would not remove capital controls until 1992, and there is the possibility that the latter two countries would not have to act until 1994.

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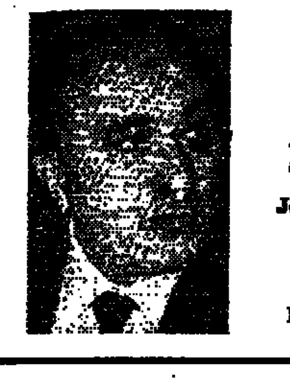

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Jackson backs Shultz criticism of Dukakis

BY STEWART FLEMING

THE REV Jesse Jackson, the black politician challenging Governor Michael Dukakis for the Democratic presidential nomination, yesterday sided with Mr George Shultz, the US Secretary of State, who last week sharply criticised Mr Dukakis for supporting the idea that the US embassy in Israel should be moved from Tel Aviv to Jerusalem.

Asked who he thought was right on the issue, Mr Jackson said: "Secretary of State Shultz is correct, and every American President has taken that position. Moving the embassy to Jerusalem would not make Israel more secure . . . it would not be security for Israel or justice for the Palestinians."

His comments may be seized on by Republicans to support their arguments that Mr Dukakis lacks the foreign policy experience to be President.

Mr Jackson insisted yesterday that Mr Dukakis should choose a liberal Democrat as his vice-presidential running mate. In a television interview he again carefully avoided demanding the position for himself, saying: "I have not said that because I do not want to push Mike Dukakis to that point. It is not necessary."

But he emphasised repeatedly not only that he himself was qualified for the job, but that Mr Dukakis should look to the "progressive" wing of the party, which he claims to represent, to balance the Democratic ticket.

Speculation about whether Mr Dukakis should ask Mr Jackson to be his Vice-President is helping the latter to stay in the political spotlight and to press the party to adopt some of the policies he supports in the policy platform which next month's party convention will be asked to endorse.

But most political analysts agree with polling data which shows that the Democratic ticket would be doomed to defeat if Mr Jackson were the vice-presidential nominee.

Small business wins favour in East Berlin

Leslie Colitt reports on the expansion of the trade and service sectors in East Germany

THE IMMACULATE public toilet run by Mr Wolfgang Rösler at Frederick the Great's Sansouci castle in Potsdam offers stressed patrons soothing recorded classical music as well as footbaths and aspirin at an extra charge.

Mr Rösler's facility is one of nearly 80,000 private trade and service enterprises now enjoying unprecedented favour with the East German authorities.

The governments of both East Germany and Czechoslovakia adopted new measures earlier this year to encourage private citizens to supply the populace with badly-needed goods and services. This marked a reversal of an earlier policy for the state to supply all the population's needs.

Ironically the expansion in the role of small companies is taking place in two of the most orthodox communist countries. East Germany's leader Mr Erich Honecker has indicated that he will not emulate Moscow's policies of *perestroika* and *glasnost*. He maintains that East Germany has been reforming its economy for years and has a highly efficient system of economic management in its giant industrial *kombinate*.

Czechoslovakia has introduced limited economic reforms, designed to streamline the central planning system, but broadly it remains wedded to ideological conservatism.

In both countries the state's provision of goods and services had deteriorated to the point where private initiative was called on to plug the gap. In East Germany, after a 40-year decline in the number of private tradespeople, there was a sharp increase last year.

The newspaper Junge Welt reports that 25,000 private retail shops and restaurants had an impressive 10bn ostmark ($5.9bn) turnover. Some 20 per cent of retail outlets and 41 per cent of restaurants are privately owned.

Despite an orthodox leadership, East Germany was the only Warsaw Pact country where small-scale private business was never wholly abolished.

Czechoslovakia eliminated nearly all privately-owned companies in 1968. But faced with a breakdown in in services, the Prague Government last February issued a decree allowing private individuals to provide services to the population without any restrictions.

A 1982 regulation allowing mainly part-time private service firms to be established had already led to the founding of nearly 15,000 businesses.

East Germany is quickly granting licences to qualified citizens who want to open their own bakery, butcher, tailor and shoemaker shops.

Falling D-mark helps boost W German exports for March

BY ANDREW FISHER IN FRANKFURT

WEST GERMANY'S exports reached DM 50bn (£16bn) in March, helped by a surge in spending on capital goods in the rest of Europe and a fall in the D-mark's value against other major currencies this year.

However, foreign criticism of the country's continued strong export performance is likely to be mitigated by the fact that imports rose more steeply. Private consumption has remained buoyant, influenced by tax cuts and milder weather.

Thus the trade surplus for the month fell to DM 8.6bn from DM 10.1bn in March 1987, though it was still above the DM 8.2bn of February this year. Germany's current account surplus was down to DM 4.7bn from DM 8.6bn in March 1987 and DM 5.1bn in February 1988.

Agreeing that the figures showed the resilience of German exports, despite the D-mark's increase in the past two years, economists also said they were misleading because of a change in the method of compilation which had led to delays in collection.

The Federal Statistics Office said the March export total of DM 50.1bn was 8.4 per cent higher than that of the previous year, while imports had risen by 12 per cent to DM 41.5bn. In the first quarter, exports showed a rise of 0.8 per cent to DM 128.2bn and imports one of 3.6 per cent to DM 103bn.

"One has to be careful in interpreting these figures," said Mr Ernst-Moritz Lipp, chief economist at Dresdner Bank. "In March, they included some exports that should have been in the January or February returns."

Bundesbank figures show that the D-mark has depreciated by 8.3 per cent against the dollar this year and by 2.5 per cent against the currencies of 14 leading industrial countries, while showing no overall change against those of the European Monetary System.

Last week, Mr Karl Otto Pöhl, president of the Bundesbank, emphasised that Germany benefited from a strong currency and had no interest in seeing it depreciate. The latest Bundesbank weekly return showed that it sold a further $1bn in currency markets in the first week of June. At the end of May, it shed $2bn it had bought to support the US currency.

Many economists expect the D-mark to rise further later this year after its recent decline against the dollar.

Opec likely to keep shaky pact on output

By Richard Johns in Vienna

A CONTINUATION of Opec's much violated agreement on output limitation seemed the likely and unsatisfactory outcome of the organisation's ministerial conference, which began here on Saturday.

There seemed little chance last night of any resolution of the issues standing in the way of a restoration of prices to about $18 a barrel, Opec's avowed common objective.

The division between the eight members which broadly favour tighter output curbs, and the four conservative Arab Gulf states (tacitly backed by Iraq) which take a more optimistic view of the market were as deep as ever when the conference started.

The two camps could not agreed on the likely level of demand for Opec crude in the second half of 1988, nor on whether to tighten or relax the somewhat notional ceiling of 15.06m barrels per day, which has been accepted by all except Iraq.

Delegations adjourned yesterday afternoon for bilateral consultations. Ministers will not meet again until Tuesday, when the conference must end because the chief delegates of Kuwait and Algeria have other engagements.

Available time is likely to be largely exhausted by a wrangle over the definition of "condensates", the hydrocarbon liquids derived from gas at the well-head, which are not included in quotas.

Kuwait claims Venezuela has classified crude oil as condensates, a charge which the Venezuelan team appears to have successfully refuted by a detailed technical presentation at an experts' meeting before the conference.

Venezuela accuses Kuwait of raising the matter to divert attention from the main issue of excess supply, for which the Arab producers of the Gulf are mainly responsible.

Meanwhile, Opec faces a formidable new problem of definition, which will not be settled here this week. Inclusion of Iraq in the quota system is recognised by all the other members as the most crucial issue.

There is still a slender hope that it might be brought into the system if Iran were prepared to concede quota parity with it — an Iraqi demand supported by Saudi Arabia, Kuwait, the United Arab Emirates and Qatar.

Tolerance by other members of Iraq's self-exclusion has worn very thin. The majority has also lost patience with the refusal of Saudi Arabia and Kuwait to recognise output from the Neutral Zone, shared equally between the two, as part of their quotas.

Production from the zone was running recently at 450,000 b/d, of which 300,000 b/d has been made over to Iraq in the form of "war relief crude".

Swiss reject Government's transport plan

By William Dullforce in Geneva

SWISS VOTERS yesterday rejected in a referendum a new transport policy which the Federal Council (government) had claimed would help it resist West German and Italian pressure to create a trans-Alpine corridor for 40-tonne lorries through Switzerland.

At the same time, the electorate backed the council by voting down a proposal, tabled by a left-wing group, to reduce the retirement age from 65 to 62 for men and from 62 to 60 for women.

More than 54 per cent voted against the transport programme. The vote reversed a decision by Parliament to give the Federal Council greater authority in co-ordinating road, rail, air and water traffic.

The council planned to introduce a new financing system for public transport, and to negotiate with the European Community a project for a north-south rail link for heavy lorries to pass through Switzerland on railway wagons.

FINANCIAL TIMES

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Genscher conjures up vision of one Europe

By Edward Mortimer in Potsdam

MR HANS DIETRICH GENSCHER is back on the peace path. This weekend the veteran West German Foreign Minister visited East Germany – his native land, and according to West German official doctrine, not a foreign country – for the first time in his official capacity. He used the occasion to give a ringing endorsement of the call by Mr Mikhail Gorbachev, the Soviet leader, for the building of a "common European house."

Echoing a favourite slogan of the late General de Gaulle, Mr Genscher declared: "Europe includes all Europeans – from the Atlantic to the Urals. A bold design is wanted for a peaceful order for one *Europe*, in which all Europeans will find peace and be able to exercise their inalienable rights."

He was speaking at the end of a conference hosted by his East German counterpart, Mr Oskar Fischer, but organised by a New York-based group, the Institute for East-West Security Studies – in itself an unprecedented event.

Mr Genscher's speech was in sharp contrast, though more by tone than by substance, with those of earlier Western speakers at the conference, notably Mr William Verity, US Commerce Secretary, and Mr David Mellor, a British Foreign Office Minister.

Heated debate

Mr Mellor engaged in a somewhat heated debate on Friday evening with the chief of the Soviet General Staff Department, Gen Nikolai Chervov, about the availability of data on Nato and Warsaw Pact weapons and military expenditure. On Saturday morning Mr Verity delivered a stern lecture to the Soviet bloc, warning it not to "look to the West for a bail-out from its economic problems" and suggesting that, to force the pace of economic reform, it should commit itself to currency convertibility in 1995.

Mr Verity added that CoCom controls on Western exports of security-sensitive technology to the East would be maintained, and the "means of enforcement" strengthened. However, his department aimed to "reduce substantially" the list of prohibited items.

Mr Genscher's emphasis on the "common European house" also clashed with the views of other Western speakers who had argued that this concept was "outmoded" and "exclusionary".

Mr Douglas Bereuter, a Republican US congressman, said western Europe and North America belonged to a "global house", towards which eastern Europeans should strive and to which they should be given the opportunity to belong. Mr Genscher thought, however, to reconcile the two concepts by identifying the common European house with the "peaceful European order" prescribed by Nato's Harmel report back in 1967, and by pointing out that the Helsinki Final Act of 1975, to which the US and Canada are signatories, "has reaffirmed the role of both these North American democracies for the good of Europe".

Fruitful bonds

Mr Genscher's aim was clearly to use the improvement in US-Soviet relations as a fillip for his own agenda of breaking down barriers between eastern and western Europe, especially between the two Germanys.

He declared his aim "to reactivate the once so varied and fruitful bonds between Germans and Russians" and "to develop and deepen them with the aim of overcoming the division in Europe," claiming moreover that President François Mitterrand of France had endorsed this policy.

On arms control, he moved close to the Soviet position by saying that nuclear deterrence involved the "morally unacceptable risk of destroying our civilisation" but quickly added, "for any foreseeable time" there was "no alternative to that strategy of deterrence founded on a suitable mix of adequate, effective nuclear and conventional forces".

To the relief of British officials present, he did not repeat his advocacy of early negotiations on short-range nuclear weapons, nor did he rule out their modernisation.

Even so, he did give a warm welcome to the "new security concept . . . based on a non-aggressive defence capacity", outlined in New York last week by his Soviet counterpart, Mr Eduard Shevardnadze. "Important elements of this concept correspond to the Nato declaration on conventional arms control issued in Brussels in 1986." Mr Genscher said. Those ideas "must be made the subject of negotiations", and every effort made to adopt a suitable mandate for negotiations before the end of this year.

OVERSEAS NEWS

Communists' poll success upsets Mitterrand's calculations

BY PAUL BETTS IN PARIS

AGAINST ALL the odds, the Communists appeared to emerge last night as the party holding the balance of power in the new French National Assembly. This unexpected success in the second round of the general election *immediately* revived some of the old ghosts of the "union of the left" in France.

The first computer projections indicated that the Communists would win between 24 and 28 seats in the Assembly in which the Socialists and the traditional parties of the right, the Gaullist RPR and centre-right UDF coalition, would each hold 265-285 seats each, short of the absolute majority of 289.

Although the Communists held 35 seats in the former Parliament, last night's decline in their total representation is a victory rather than a setback for the party. The Communists, like Mr Jean-Marie le Pen's extreme right National Front, had been expecting to see their parliamentary representation sharply cut by the majority voting system.

As it turned out, the National Front suffered its expected setback and will be lucky to save one or two of its original 33 seats. Mr Le Pen himself was also defeated in his Marseilles constituency.

With the Communist votes, the Socialists would be assured of a majority. But this could not be a more uncomfortable situation for President Francois Mitterrand who seven years ago first came to power by campaigning on the "union of the left" theme with the Communists.

Indeed, the first Government after Mr Mitterrand's victory in the 1981 presidential election was a Socialist-Communist coalition led by Mr Pierre Mauroy, the Socialist mayor of Lille recently elected first secretary of the party who included four Communist ministers in his administration. But it soon emerged that Mr Mitterrand's strategy of embracing the Communists was as much designed to weaken them.

Over a 10-year period, he successfully turned the Socialists into the single largest party not only of the left, by overtaking the Communists, but of the country as a whole. By 1984, the Communists left the coalition government and plunged into an ever deeper internal crisis and what seemed to be an endless electoral descent.

As the Communists declined, the National Front rose overtaking them in the 1986 general election. In the first round of the presidential election last April, *Mr Le Pen scored an impressive* 14.4 per cent compared to the meagre 6.7 per cent of Mr Andre Lajoinie, the official Communist presidential candidate. Mr Lajoinie was re-elected to the National Assembly last night and so was Mr Georges Marchais, the Communist secretary general.

But in the first round of the general election last weekend, the Communists managed to recover some ground while the National Front saw its electoral support decline. The Communists now appear to have consolidated this modest recovery.

However, although their score is undoubtedly modest, it risks throwing a further spanner in President Mitterrand's intentions of an overture to the centre, a move the Communists have *opposed. Mr Guy Hermier*, a leading Communist re-elected last night in Marseilles, gave a strong indication of the line his party is expected to take in coming days when he said the Communists would judge any new government "on its actions" and "on its intentions of conducting a real policy of the left". The Communists "would continue to fight the overture to the right".

The Communists were particularly hostile to President Mitterrand's policy of economic rigour in 1984. Since then, they have never stopped attacking him although in the latest election, they agreed to withdraw candidates in constituencies where a Socialist was better placed to win. In turn, the Socialists also withdrew candidates in constitu*encies were the Communist in a* better position.

But the Communists refused to adopt a similar attitude to centrist candidates supported by the Socialists to underline their opposition to the overture to the centre. They have continued to insist on their traditional anti-capitalist economic and social policies which contrast with the highly pragmatic socialist-liberal approach of Mr Michel Rocard, the Socialist Prime Minister.

Under the circumstances, it is difficult to see how the Communists would support the Mr Rocard's Government. It is equally difficult to see how the Socialist Government could accept the Communists' rigid doctrinaire positions. Indeed, Mr Marchais said last night that it *"was out of the question"* for the Communists to take part in a Socialist led government in the current conditions.

Tempting as it may seem to revive the old concept of the "union of the left", it seems to have little if any chance of surfacing again in view of the current state of evolution of the Socialist party. The question is whether the Communists will make Mr Mitterrand's delicate balancing act with the centre even more difficult.

Mitterrand: intending an overture to the centre

Machinery rules spark power struggle in European Community

NOTHING BETTER illustrates the *complexity facing harassed* architects of the European Community's single market in 1992 than *the debate* now going on in Brussels over establishing common rules for engineering machinery.

Proposals to harmonise regulations for all kinds of factory machinery from machine tools to *cigarette packers have already* led to a revealing power struggle between departments of the European Commission, manufacturers, trade unions and politicians – all this even before member states have had a full chance to get their teeth into the plan.

It also shows the practical challenges encountered by the Commission in trying to implement its so-called new approach to industrial standards, by which it *sets basic safety requirements* instead of attempting to harmonise an enormous catalogue of technical details. As such, the new approach – of which this is the widest-ranging example yet – is a vital key to the scrapping of trade barriers to industrial goods.

At stake are the interests of thousands of small and medium companies that supply the Ecu 120bn (£83bn) market for engineering machinery, plus the handful of multinationals (such as IBM, Nixdorf and Philips) which provides the manufacturers with the computers that control their machines. At present, they face a host of non-tariff barriers, such as obligatory safety specifications in France or health and safety certification in the UK which, the Commission argues, either stop these small companies from exporting or add needlessly to their costs.

The proposed engineering machinery directive would have all that superseded by a 15-page *description of safety* requirements, to be backed by specific standards to be drawn up over the next two years by Cen and Cenelec, the European standards organisations. Until then, national authorities would agree to respect each other's standards.

THE EUROPEAN MARKET

In theory, say, a safe Spanish machine tool could be sold freely in West Germany.

This Commission strategy has been applied over the past year, after agonising wrangles, to pressure vessels, toys and construction products, and is being prepared for lifting machinery, gas appliances and metering. Despite *the difficulties, all sides agree* that the new approach is a big improvement on the old one. It used to take, for example, 10 years to agree on a directive, eventually passed by member states in 1986, on common regulations for fork-lift trucks. Ministers were forced to debate such trivia as lay-out of the pedals.

Even so, the discussions over the detail of the machinery proposal mean the scheme is *unlikely to be adopted finally* by the EC's Council of Ministers until some time in 1989, four years after it was put forward by the Commission. Points of contention include how much detail should go into the basic requirements and whether machine-tool makers, the factory owners who use them or independent safety authorities should issue safety certificates.

The machinery idea began life in the Commission's internal market and industrial directorate in May 1985, inspired by the fact that no free market in industrial *goods could be complete without* a free market for the machines that made those goods. Manufacturers could *follow* the specifications to be set out later by Cen and Cenelec or get independent proof that their machines complied with the directive. Any machine that did either of those things could be sold freely across *the Community*.

One thing was clear from the start: the scope of the directive was *incomplete*. It said machines must be designed safely, but nothing about the conditions under which they should be used safely – both a practical shortcoming and a temptation for countries such as West Germany to continue imposing restrictive national safety standards on top of the Brussels proposals.

So the Commission's directorate for social affairs began work on five related proposals to set common rules for workers' safety, for the use of machines in factories, protective equipment, exposure to visual display units, and even protection of workers against back injury. These exposed the Commission to criticisms from employers that it was in danger of reverting to the bad old approach to industrial standards *by piling* on new restrictions. Its response was that, although the directives were related, member states were not expected to approve them en bloc.

Comprehensive rules on worker protection were the price for getting trade union support for the proposal, as driven home later in 1985 at a joint meeting in Brussels between the European Federation of Trade Unions, Orgalime and Cecimo (the two main lobby groups for machinery producers), the Commission, and Cen and Cenelec:

All saw the unions' point. The real problem, though, was how to get the two Commission directorates with different aims and different political masters to co-ordinate their work. The internal market directorate reports to Lord Cockfield, the Conservative British politician who has made a name for himself as a tough crusader for free trade; social affairs come under the young Socialist Spanish Commissioner, Mr Manuel Marin, who has almost nothing in common with his UK counterpart.

The signs are that the Commission has failed to reconcile fully the needs to break down barriers in the machine tool industry and to protect the workers using the machine tools.

As a mark of the sensitivity of the proposals, the internal market directorate sent out drafts to all member states last year before putting them up for adoption by a full meeting of the Commission. It is not usual for Brussels to reveal the full detail of its proposals to EC governments in this way before they have been accepted by the 17 commissioners.

Mr Marin then blocked the *machinery proposal for a week* because he needed to check the progress of his own staff in the social affairs directorate. Even after that, Orgalime officials are complaining that the final drafts of the directives, published between last December and March, show worrying areas of overlap and make it unclear whether some points of worker safety are the responsibility of machine-tool makers or owners.

The next stage was for the proposal to be debated by working groups of national officials but

As part of a series of articles on the EC's move to a single market in 1992, William Dawkins looks at the debate on common rules for engineering machinery

West Germany, current holder of the EC presidency, scrapped the first working group meeting early this year because of a dispute between its Labour Ministry, which wanted the safety requirements in the proposal to be made mandatory, and its *Economics Ministry, which wanted* to support the Commission's idea that they should be no more than a guarantee of market access.

In the event, the Labour Ministry succeeded in sending one of its officials to take the chair at the first working group at the end of March. That meeting produced a new split, between the Bonn Government and Denmark on one side, arguing that national inspectors should take a big role in issuing safety certificates, and the UK, which wants machinery makers to be given almost free rein to certify their own products.

The suggestion in the directive that member states should observe each other's national standards until EC ones have been prepared is another worry for West Germany. Its official line is that German workers need protection against unreliable imported machines, though cynics say the real anxiety is that German machinery makers, long protected by their country's high standards, do not want to open the floodgates to cheap, poor-quality imports.

One way round this, suggested by the UK, would be to set up a specialist committee to decide, more rapidly and more expertly than the existing over-worked industrial standards vetting body in Brussels, whether national engineering standards are up to scratch.

National officials met again a month later, when yet another big practical problem emerged, this time over essential safety requirements. The UK thinks they are so rigid that companies will not be able to follow them – a position with which the West Germans have less sympathy. The upshot of all this is that London and Bonn are both busy rewriting the Commission's directive in ways that may not match. Meanwhile, the separate working group on the other five directives on workers' safety has not even met.

Other concerns voiced by industrial lobby groups include the scope for national authorities to erect their own ultra-tough safety rules during the long wait for Cen standards. There is also concern that the latter are not made available to the public, only to the national standards bodies themselves, which then incorporate Cen rules into their own possibly more extensive requirements, so depriving hard-pressed small machine producers of the benefits of the rational new approach.

Before it can take effect, the proposal must go through two readings in the European Parliament and two debates of the EC's 12 trade and industry ministers. It will be helped at the final hurdle by new EC rules to let member states accept internal market directives by majority vote, rather than unanimously as before.

The toughest negotiations of all are those taking place *between national officials at* regular sessions in some draughty corner of a Brussels tower block. As one of them says: "This is one of those occasions when getting it through the Council of Ministers will be the easy part."

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1980=100)

	Apr.'88	Mar.'88	Feb.'88	Apr.'87	% change over previous year
W. Germany	122.2	121.9	121.8	121.0	+1.0
France	170.7	169.9	169.4	166.6	+2.5
Italy	219.5	218.8	217.9	208.6	+5.1
Netherlands	123.3	122.8	122.3	122.3	+0.8
Belgium	145.7	145.1	145.0	144.4	+1.0
United Kingdom	158.2	155.7	155.1	152.3	+3.9
USA	142.1	141.4	140.8	136.8	+3.9
Japan	116.0	115.4	114.9	115.6	+0.3

Source: (except US) Eurostat

Italy urges Nigeria to free ship in 'toxic waste' row

BY JOHN WYLES IN ROME

A HESITANT and somewhat bewildered Italian Foreign Ministry urged the Nigerian Government at the weekend to release an Italian cargo ship detained in Lagos harbour following a sudden political squall over alleged dumping of toxic waste.

The vessel, the Piave, was boarded by the Nigerians five days ago and ordered to sail south to Port Koko. The authorities demanded that it be loaded with about 2,000 tonnes of waste which the Lagos Government claims has been illegally dumped near the coast in the southern state of Bendel.

Following the captain's refusal to move his ship, Nigeria recalled its ambassador to Rome for consultations. The Italian Foreign Ministry has been insisting that the whole affair derives from a legal agreement between two private companies, one Nigerian, which accepted the waste, and one Italian, which shipped it.

The Ministry said at the weekend that Rome was ready to try to help clear up the problem, implying that it would even seek to have the waste removed. Italy has clearly been taken aback by Lagos' swiftly aggressive response to disclosures about alleged dumping of toxic chemicals published in the Nigerian newspaper, The Guardian, eight days ago.

It was still not clear at the weekend whether the Ministry actually knew the identity of the Italian company involved. Officials may, therefore, have been alarmed by a report in yesterday's edition of the Turin newspaper La Stampa, which suggested that Italians were at both ends of the transaction.

La Stampa said the Nigerian dump was built by a Nigerian company run by an Italian from Livorno. The report claims the Nigerian company was authorised last spring to handle chemical products.

It says that the waste was shipped out of Pisa in Italy by two vessels which had been contracted for the operation by an Italian company set up last year to handle shipments of waste to Nigeria and other Third World countries.

If true, the report is bound to raise fears in West Africa of an attempt by Western companies to dump in the region toxic waste whose disposal in Europe is increasingly challenged by environmental groups.

Palestinians blamed for outbreak of forest fires

By Andrew Whitley in Jerusalem

A WAVE of fires which has destroyed tens of thousands of acres of forest and grazing land over the past few weeks appears to be the work of Palestinian arsonists hitting Israelis at one of their most sensitive points.

Over the weekend, weary firemen were battling an unprecedented number of near-simultaneous outbreaks, running from the Golan Heights in the north to the Jerusalem district in the centre of the country and causing losses preliminarily estimated at over $10m (£5.5m).

The arson attacks, described by the Government as the latest focus for the uprising in the occupied territories, were discussed at yesterday's Cabinet meeting. Afterwards, Police Minister Haim Bar-Lev said there was no doubt the phenomenon was "part of the intifada (uprising) and all that is happening in the territories".

A clandestine leaflet from the underground Palestinian leadership called publicly last week for the first time for damage to the "means of agricultural production in Israel", setting June 22 as a special day for such attacks.

"The Arabs if they wanted could turn this country black," said Mr David Angel of the Jewish National Fund, responsible for Israeli afforestation projects.

Since the beginning of May, he said, over 100,000 dunams (25,000 acres) of grazing and forest land had been burned, compared with 15-20,000 dunams in a typical year. At least 400 fires have been reported, many of them starting only a few hundred yards from another blaze.

De Mita pledge on EC rules

BY JOHN WYLES

MR CIRIACO De Mita, the Italian Prime Minister, has pledged that his Government will adopt a reform aimed at curing Italy's long-standing difficulty in promptly applying European Community directives.

The Prime Minister said the cabinet was moving towards "a swift approval" of a draft law which "will enable us to keep in line with Community laws".

The draft has been prepared by Mr Antonio La Pergola, the minister responsible for co-ordinating Italy's EEC policies.

It envisages a fuller use of government powers to translate Community directives into national law, a request for more delegated powers from Parliament, and a clearer definition of which directives agreed in Brussels in any one year should have the Italian Parliament's approval.

Italy has been making quiet progress in recent months in reducing the mountain of 250 directives outstanding at the beginning of the year. Using special powers delegated by Parliament last year, more than 100 EC directives have recently been put on the Italian statute book - in some cases more than five years behind schedule.

"Therefore, compared to the recent past, our backlog is much smaller and not much greater than that of other European countries," said Mr De Mita.

Monday page interview, P10

Afghan army 'kills dozens of rebels'

AFGHAN ARMY units have killed dozens of rebels in Kapisa Province north of Kabul, the Soviet news agency Tass said yesterday, Reuter reports.

Tass did not specify when the operation took place but said the army had seized large quantities of rebel arms.

"Dozens of extremists were killed, and mortars, rocket launchers, ammunition and heavy machine guns were captured," it added.

Under accords signed in Geneva, the Soviet Union began to withdraw its troops from Afghanistan on May 15.

The accords - signed by Afghanistan, Pakistan, the Soviet Union and the US - do not provide for a ceasefire between theAfghan army and Moslem rebels fighting the left-wing government in Kabul.

OBITUARY

Giuseppe Saragat, former Italian leader, dies at 89

MR GIUSEPPE SARAGAT, a former President of Italy and founder in 1947 of its Social Democratic Party, has died aged 89.

He was a major figure in the history of Italian socialism, having joined the party in 1922, risen to a leadership role and then been forced into exile in 1925.

He returned to Italy in 1943, being imprisoned by the Germans. In the early post-war years, he came into conflict with Pietro Nenni, the Socialist Party leader, over the party's subordination to the Italian Communist Party and, ultimately, to Moscow.

Mr Saragat rejected the heavily Marxist orientation of Socialist policies which excluded the private sector from any significant economic role.

So he founded the Social Democrats in 1947 and for the next 20 years his new party stood alongside the Christian Democrats, both as a partner in governing coalitions and as a strong defender of the democratic choice made for Italy in the first decade after the war.

By the mid-1960s, the Socialists had broken away from Communist influence, but an attempt at reunification with the Social Democrats in 1966 foundered three years later after the two parties had polled less together in 1968 than they had individually in 1963.

By that time, Mr Saragat was already in the Quirinale Palace, having been elected the first Socialist President of Italy in 1964. He served until 1971.

In recent years, he made no secret of his belief that the social democrats and the Socialists should aim for reunion.

JOHN WYLES

Israeli strikes threatened

THE Israeli Government and the Histadrut labour federation look set to clash this week over public sector pay, with the unions threatening a series of paralysing strikes from tomorrow, writes Andrew Whitley.

The annual trial of strength between the two sides has taken on additional importance this year because of the Treasury's alarm over the impact of rapidly rising real wages on Israel's international competitivity.

Both the Government and the private sector employers are refusing to grant across-the-board wage increases if these are not compensated for by corresponding productivity increases or cuts in public sector payrolls.

Maggie Ford in Seoul reports on a growing consensus for change

Optimism emerges in South Korea

FRONTED by sweeping, well-manicured lawns, its entrances blocked by security guards to all but official visitors, the monolithic South Korean National Assembly building cannot yet be regarded as a citadel of people's democracy.

But its opening session last Friday, on the first anniversary of last year's street demonstrations against the military regime of former President Chun Doo Hwan, was more than just a symbolic occasion.

For the majority of Assemblyman now occupying seats in the Parliament are members of the Opposition parties. They are led by three politicians, Mr Kim Dae Jung, Mr Kim Young Sam and Mr Kim Jong Pil. One year ago the three men were respectively confined under house arrest, deprived of any civil rights and charged with corruption.

Few people believed that the three were united enough to hold a civil conversation, much less draw up a joint policy programme for the parliamentary session addressing the basic problems which sparked public anger last year.

All three politicians know that the fight to turn South Korea into a democratic country has only just begun. But they are all encouraged by the strong national consensus that has emerged since last year's demonstrations. Agreement has now been reached by the majority, and especially by the middle classes about the way the country needs to change, politically, economically and increasingly in its foreign affairs.

The reality, as Mr Kim Dae Jung, leader of the largest party commented recently, is that little of substance has happened so far. As many as 1,000 political prisoners remain in jail, riot police continue to battle and arrest students, much corruption remains uninvestigated, and the instruments of government control, such as the police and security forces, remain in place.

But the thinking behind the public decision last year to demonstrate for political change has now spread far wider than the initial demand for free elections. Following the disappointment of President Roh Tae Woo's minority victory in the Presidential election last December, the surprise parliamentary election result, in which the Government lost its majority, has revived optimism that change can be achieved.

Wide ranging debates have broken out in the economic area, where supporters of free market forces are arguing against government control of finance, banking and companies. University and teaching staffs, parents and students are discussing ways of ending authoritarianism in the education system.

A student plan to meet their counterparts in North Korea along with a number of anti-American demonstrations have focussed attention on reunification and South Korea's relationship with the US.

Kim Young Sam

In a move reminiscent of the Soviet Union's glasnost strategy, a conference is shortly to be held to look into the period before and during the Korean War, to consider the realities of history.

This momentum, particularly in terms of relations with the North, has clearly surprised the Government, long used to using the threat of communism as a stick to subdue debate and stifle what it regards as radical views against its policy.

Many feel that September's Olympic Games to be held in Seoul and attended by China and the Eastern Bloc provide an excellent context for a lessening of tension on the peninsula and an effort to improve a relationship forged at the start of the Cold War and little changed since.

This issue is only one that the parliament will pursue. Among others, all guaranteed to face the strongest resistance from the government side, are the facts of the Kwangju incident, in which at least 200 people were killed by troops in a provincial city eight years ago, corruption committed by former President Chun and his family, the removal of unjust laws used to persecute Government opponents and alleged election fraud. The latter investigation could affect the position of President Roh, who has said he will hold some kind of referendum on his presidency after the Olympics.

The Opposition will face strong resistance from the ruling Democratic Justice Party in the Parliament. The DJP plans to focus on the redrafting of authoritarian laws, an approach which could be time-consuming and in the end fruitless in light of the lack of independence of the judiciary.

Movement to democracy in South Korea, as in other authoritarian societies, is often a matter of two steps forward, one step back. Its success will partly depend on the unity and political skill of the opposition and on its ability to read public opinion correctly.

But one year after last year's riots and less than 100 days before the Olympic Games, optimism continues to prevail that positive change, along with stability, can be achieved, even if there are bumps along the way.

Air fare costs hit Japanese

By Carla Rapoport in Tokyo

THE STRENGTH of the yen and the high cost of goods in Japan is sending record numbers of Japanese on shopping sprees overseas where just about everything they buy is a bargain, from Harrods jam to French chateaux.

As they travel, though, more Japanese are noticing that the cost of getting out of Japan is high, compared with the cost of getting back. Japanese air fares, long the subject of overseas trade complaints, are now of domestic concern.

This week, a senior official of Japan's Transport Ministry admitted, "the gap is still large" between fares for flights from Japan and flights back, although Japanese air fares were cut this year.

To many, the official's words represented a mighty understatement. Government figures show that the fare from Hong Kong to Japan is 50 per cent of the fare for flying the other way. Flights from South Korea, China and Britain, for example, are 40 per cent less than those for the opposite direction.

Japanese consumers, well known for their stoicism, have begun to step out of character and protest at the inequities in angry letters to magazines and newspapers. Some are securing air tickets from Hong Kong by post for their journeys from Tokyo. Airlines flying out of Tokyo are now cracking down on this practice by charging the customer the full Japanese fare at check-in if the Hong Kong-Tokyo portion of the ticket is unused.

"We can't win," said Mr Geoff Tudor, a public relations executive for Japan Air Lines, yesterday. He pointed out that 85 per cent of JAL passengers use discount group fares, which are well below the normal fares and "perfectly legal".

However, government statistics show that regular Japanese air fares have been more expensive that British fares on the Tokyo-London route since 1981. Despite the yen's strong appreciation against the pound, Japanese air fares are still 40 per cent higher than British ones, as they were in October of 1985.

JAL's personnel costs have increased since then but are still only 27 per cent of total costs. JAL's expenditure on fuel has plummetted in the interim to just 15 per cent of costs for the last two years – down from 31 per cent earlier in the decade.

The Transport Ministry estimates that Japan's three main airlines saved a total of Y100bn (£432m) in fiscal 1986 alone because of the drop in oil prices and the yen's appreciation.

JAL admits that the situation is far from ideal. "We're going to have to cut fares again. I can't say when. Fares can come down, but not drastically, overnight in a unilateral action," said Mr Tudor

Although the ministry would not comment officially on the matter, it is understood to be aiming at a 20 per cent differential between Japanese air fares and foreign fares.

Japanese join Soviet salmon fishery venture

By Ian Rodger in Tokyo

JAPAN and the Soviet Union are to establish a joint venture on the Soviet far eastern island of Sakhalin in July for the artificial incubation of salmon and trout.

Japan's National Federation of Salmon Driftnet Fishery Co-operatives, consisting of medium and small fishermen on Hokkaido, has agreed with the fishery office in Sakhalin to manage jointly the venture, in a river in the north-east of the island.

This is the first Japanese-Soviet fishing venture. It is aimed to provide an alternative source of fish for the Hokkaido fishermen when a Soviet ban on off-shore salmon and trout fishing in the northern Pacific comes into effect in 1992.

The Soviet side will provide 51 per cent of the capital and the Japanese 49 per cent. The plan is to build a hatchery on Sakhalin, then stock the river with 30m salmon and trout fry.

SHIPPING REPORT

World tanker market remains depressed

BY HUGO DIXON

THE WORLD tanker market remained depressed last week, with rates for very large tankers from the Arabian Gulf dipping considerably.

One French-controlled vessel from Saudi Arabia to the US Gulf, for example, was fixed at Worldscale 27.5 and fixtures for million-barrel-size vessels were conspicuous by their absence, according to Galbraiths, the shipping broker.

However, the broker said the market had touched bottom; "If owners can maintain a cool head and not panic into fixing their tonnage, they should be able to claw back the lost ground after the forthcoming Opec deliberations."

E.A. Gibson, another shipping broker, was less bullish, arguing that, although any attempt by Opec to stabilise oil prices would bring some welcome stability to the market, "any curtailment of output can only result in reduced demand for tanker tonnage."

There was also disagreement about the West African sector, which has recently been the brightest area of the market. Galbraiths said it continued to be the "best hunting ground" for 130,000 tonners, while Gibson said the sector had been extremely disappointing.

Gibson also reported that the Mediterranean market continued its steady decline.

Malta extends EC accord

BY GODFREY GRIMA IN VALLETTA

MALTA'S' association agreement with the European Community under which the island is allowed access to several community institutions has been extended by the new government of premier Dr Eddie Fenech Adami. It will now run on a contractual basis until 1990.

The agreement, originally signed in 1970, was reviewed by the previous Socialist administration but lapsed in 1980 with the EC unilaterally extending it periodially.

The new protocol awards Malta new concessions for the export of some consumer goods including beer and potatoes.

Hattersley seeks to head off opposition split over defence

BY CHARLES HODGSON

MR Roy Hattersley, deputy leader of the opposition Labour Party, yesterday sought to head off a potentially damaging split within the party over defence policy. He rejecting left-wing charges that the leadership had abandoned unilateral nuclear disarmament.

Mr Hattersley denied that comments last week by Mr Neil Kinnock, the Labour leader, that recent developments in arms control negotiations had made the principle of "something for nothing" unilateralism redundant, signalled a departure from the basic tenets of Labour's defence policy.

Mr Hattersley also welcomed last week's decision by the Transport and General Workers Union to postpone endorsement of the existing leadership, saying it would *focus attention in the party leadership campaign* on the current policy review.

Rejecting allegations that Mr Kinnock *had initiated* a fundamental shift on unilateralism, Mr Hattersley said: "There is no hope, risk, chance or likelihood of moving away from the basic principles which characterised our defence policy."

"What he [Mr Kinnock] is saying . . . is that those of us in the past who advocated multilateralism have done it from the disadvantage of multilateral disarmament never actually working," Mr Hattersley said.

"Thanks to the Reagan-Gorbachev summit there have been some negotiated reductions. Very clearly we would want to take part in a worldwide system in reducing nuclear weapons because our objective is to free the world of nuclear weapons."

The idea that this precluded some unilateralist progress or that Mr Kinnock wanted it precluded, "never entered my mind," he told BBC radio's The World This Weekend programme.

Mr Kinnock's remarks, which *enraged the party's left wing*, were designed to open the debate on defence policy, which was only briefly mentioned in the recently-completed first phase of the policy review.

The party will not be asked to endorse any revised defence policy until the 1989 conference.

The Labour leader strongly defended the need for broader policy changes in a speech at the weekend in which he signalled determination to meet the clear challenge now emerging to the policy review led by Mr Tony Benn *and Mr Eric Heffer, candidates* for the leader and deputy leadership respectively. Mr Benn and Mr Heffer have accused the leadership of abandoning socialist principles.

Mr Kinnock had dismissed his opponents as "dreamers" and urged Labour supporters to "free youselves from impossible promises and address yourselves to the realities of today and tomorrow, produce the policies and get *the power to implement them for* Britain as it will and will be."

Young gives go-ahead to 'efficient' takeovers

By Terry Dodsworth, Industrial Editor

THE UK Government would be willing to accept large takeovers which resulted in temporary reduction in competition *if there were substantial efficiency* benefits to be gained, Lord Young, the Trade and Industry Secretary, said.

"Our concern is to encourage effective competition within open markets," he said in a speech to the London Chamber of Commerce. "That is absolutely consistent with the creation of large, internationally competitive UK companies with a large share of the UK market, as long as there is international competition in that market."

Lord Young's address was *clearly intended as a definitive* statement of UK policy on mergers following the intense debate on takeover policy in *the wake of the bid by* Nestlé of Switzerland for Rowntree, the York-based confectionery group.

His own responsibility, he said, could only be for the state of competition in the UK, and the maintenance of choice in the market whether that market was local, national or international.

UCL picks industrialist for top job

BY DAVID THOMAS, EDUCATION CORRESPONDENT

UNIVERSITY College London will tomorrow name Mr Derek Roberts, technical director of the General Electric Company, Britain's biggest manufacturing company, as its new provost. The appointment is believed to be the first time a major British university institution has chosen as its full-time head an industrialist who has never been an academic.

Mr Roberts's move could also *herald a reshuffle of senior positions* at GEC, where he is also joint deputy managing director and in overall charge of research. Mr Roberts's departure comes after a reorganisation of GEC's extensive research facilities, although both GEC and Mr Roberts deny this has any bearing on his decision to leave.

The appointment comes at a crucial time for UK universities, which are under pressure to attract more private funds for their research, suffering from low morale and concentrating research at a limited number of centres of excellence.

UCL, the largest college in London *University*, ranks as the 12th largest British university institution with 7,550 full-time students. It has been running an early *retirement scheme for academics* in a drive to balance its annual budget of £80m.

Mr Roberts, aged 56, has had a distinguished industrial career, first with Plessey, where he rose to become managing director of the electronics company's microelectronics division, and then *with GEC which he joined in 1979* as director of research.

GEC refused to be drawn on how it would replace Mr Roberts, pointing out that he would remain full-time with the company until the end of the year. Mr Roberts will work part-time at GEC from then to next April, when he takes over at UCL. He will remain as a non-executive GEC director.

However, there might be some reorganisation at the top of GEC, in part to reflect changes to its research activities over the past nine months. Mr Roberts's post as joint deputy managing director *may not be filled, leaving* Mr Malcolm Bates, the other deputy MD, even more clearly as number two to Lord Weinstock, GEC managing director.

Mr Roberts has managed an annual research and development budget of about £730m, of which about two fifths comes from GEC resources with the rest from other sources, mainly the Ministry of Defence. GEC has about 17,000 scientists and engineers working on research and development, of whom about 2,200 are at four main research laboratories.

Operational responsibility for three of *these labs* has recently been taken from the GEC centre, reflecting Lord Weinstock's desire for GEC's research activities to be closer to the market. Two of them, at Stafford and near Leicester, now fall under GEC's power engineering business, while the third, near Chelmsford, has been given to its Marconi electronics division.

State plans five more technology colleges

BY OUR EDUCATION CORRESPONDENT

THE GOVERNMENT is planning to unveil up to five new city technology colleges in the next few weeks in a burst of announcements intended to revive the credibility of this central plank of its education policy.

City technology colleges, designed for 11– to 18-year-olds with an aptitude for science and technology, will be independent of local authorities. They are *intended to meet skill shortages* in technical subjects, to raise educational standards in Britain's urban areas and to encourage business involvement in education.

Mr Kenneth Baker, Education Secretary, *set a target* of 20 of the colleges when he announced the scheme in 1986. Their capital requirements were to be funded by industry, usually to the tune of at least £1m.

However, some observers have described industry's response as *lukewarm. Firm proposals have* been announced for only six of them so far, and the colleges have recently been attacked by Mr Jack Straw, education spokesman for the opposition Labour Party, as a costly flop.

The Department of Education and Science believes it is now on course to have a total of 15 firm announcements by the end of the year. Moreover, some local education authorities, including Kent County Council, are now interested in sponsoring their own colleges.

The first of the new batch of colleges to be announced will be in the north of England. This will be followed *rapidly* by others in the London Docklands, in Manchester, in Dartford, Kent and possibly a further one in London. These have attracted firm commitments of almost £8m from companies, individuals and other private sources.

In addition, the Government has received a proposal backed by £1m of private money for a college in Scotland, which so far *has fallen outside the scheme.* Other potential sponsors are also apparently interested in the idea.

Breakaway mine union set to soften stance on pit sell-off

BY CHARLES LEADBEATER, LABOUR CORRESPONDENT

LEADERS OF the Union of Democratic Mineworkers, the Nottinghamshire-based breakaway miners' union, seem set to significantly soften their opposition to *government* plans to privatise the coal industry.

Mr Roy Lynk, the UDM's president, speaking yesterday in Weymouth before the opening today of the union's annual conference, said that while the union's official policy was to oppose privatisation, the leadership also had a *mandate to pursue their members'* interests.

Mr Lynk did not rule out the possibility of the union becoming *involved in worker buy outs, or* employee shareownership schemes to if the industry was privatised.

He *said*: "No one *is going to* buy pits over our heads, while we sit there, like feudal serfs. If there is a profit to be made we want our share of it. No one is going to get fat at our expense."

None of the motions on privatisation to be discussed later this week calls for opposition. Instead they call on the union's executive to determine the Government's *plans for the industry* and pursue policies to protect the interests of *UDM members.*

The UDM's willingness to consider support for privatisation of the industry, will be welcomed by *Ministers. Any moves to privatise* the industry would be clouded by opposition from the National Union of Mineworkers, and other *energy unions.*

UDM leaders hope that Mr Michael Spicer, the coal industry minister, will disclose more about plans *for the industry* when he addresses the conference on Tuesday. Sir Robert Haslam, British Coal's chairman will address delegates today.

Mr Lynk said the union had no plans to attempt to establish an alternative TUC with the EETPU electricians' union should it be expelled from the TUC after refusing instructions to withdraw from two strike-free agreements.

However, he said it was almost *inevitable that the two unions* would draw closer should the EETPU leave the TUC.

Civil Service use of local pay 'a dog's breakfast'

BY JOHN GAPPER, LABOUR STAFF

WIDE discrepancies have emerged between government departments in their use of new local pay supplements of up to £600 intended to combat problems recruiting and retaining staff in the south-east of England.

The range of supplements now being paid is said by civil service unions to show incoherence in Government pay policy. However, the Treasury, which told individual departments to plan their own local pay additions (LPAs) after failing to agree a framework with the Council of Civil Service Unions, believes it shows there was a need for flexibility.

Mr Peter Jones, secretary of Cocsu described the emerging arrangements as a "dog's breakfast" that had damaged the chances of the Treasury maintaining a coherent approach to recruitment of civil servants.

Minimum wage of £135 urged

By Charles Leadbeater

THE PHASED introduction of a *national* minimum wage, which would rise from about £100 a week, or half average earnings, to about £135 a week, could lead *to higher employment and efficiency*, according to a report by the Low Pay Forum.

The Forum, made up of trade unionists, academics, church leaders, and politicians, described the report as the most comprehensive and detailed examination for more than 20 years of the effects of a legally enforceable minimum wage.

The report argues that with more than 9m British workers paid below the Council of Europe's decency threshold of 68 per cent of average earnings – worth about £135 a week in 1986/87 – there is *an urgent need for* a minimum wage on grounds of social justice.

However, the report argues, the phased introduction of a minimum wage would help to *steer* the economy towards high wage, high productivity forms of employment.

It argues that moves to create pay flexibility have encouraged employers to adopt competitive strategies based on low wages, low productivity and poor quality.

The National Minimum Wage, A Consultative Paper, £2.00 from the Low Pay Forum, c/o 9 Upper Berkley Street, London W1H 8BY.

Moore stresses choice but free care in NHS reform

BY CHARLES HODGSON

REFORM OF the National Health Service must give patients wider choice and encourage a greater role for the private sector in providing health care, Mr John Moore, the Social Services Secretary, said yesterday.

Mr Moore, giving his clearest public indication to date of the thinking emerging from the Government's current review of the NHS, insisted that the fundamental principle of providing comprehensive care free at the point of access to all irrespective of ability to pay would remain one of the prime goals of the health service.

However, he added that the present system for delivery of health care was clearly unsatisfactory.

Mr Moore's remarks, in an interview on BBC television, confirm that the Government's approach to NHS reform will be evolutionary rather than revolutionary.

Mr Moore said the review would also contain proposals for encouraging more private care as a supplement to the state spending on health provision, which would remain predominant.

That could be done either on the demand side, by offering incentives through the tax or national insurance systems to encourage people to join private health schemes, or on the supply side, by attracting the private sector into joint ventures with NHS hospitals.

Mr Moore refused to rule out tax or other incentives to individuals in spite of opposition from Mr Nigel Lawson, the Chancellor, on the ground that they would complicate the tax system.

He rejected Labour suggestions that that would lead to a two-tier health service, in which those who could afford to would be able to buy better health care.

An emerging consensus among Conservatives on NHS reform is identified in the latest issue of the rightwing Bow Group quarterly magazine, published today.

It points to agreement on three principles, that state funding of the NHS should remain predominant, that the NHS should be subject to greater competition both from an internal market and from compulsory tendering of certain services, and that there would be competition but also co-operation with a growing, Government-encouraged private sector.

Mr Frank Dobson, Labour frontbencher, said most of the ideas coming from the Prime Minister's health service review were "clapped-out ruins" rejected by past governments.

A report published yesterday by NHS Unlimited – a leftwing think tank of which Mr Dobson is chairman – sets out to challenge health service policy proposals streaming from rightwing organisations believed to hold sway with Mrs Thatcher.

Authorities try to allay fears about tap water

By Hugo Dixon

BRITAIN'S water authorities yesterday sought to play down reports that drinking tap water could cause senility.

However, they confirmed that a Government-sponsored study had shown that there was a "positive relationship" between aluminium in tap water and Alzheimer's disease.

The Water Authorities Association, the industry's trade association, said that there was "no real cause for alarm. We can assure people that the water is still safe to drink."

That view contrasted with the minutes of an association meeting, leaked by Friends of the Earth, which reported a "growing concern" about an unpublished study by the University of Southampton, indicating a correlation between aluminium and senility.

Aluminium is found in tap water, either because it is there in the first place or because it is used by water authorities to remove the brown colour from peaty water. It may also seep into water as a result of acid rain.

Friends of the Earth said that aluminium levels in 55 water supplies in England and Wales breached the legal limit set by European Commission's directive on drinking water. It said: "A possible link with brain damage provides a powerful spur for more effective action on acid rain."

However, the association said the link between aluminium and Alzheimer's disease was only a preliminary result. It had already started examining ways in which aluminium could be removed from tap water and was supporting further study by the University of Southampton.

It said: "If there is a real link there, the water industry will be taking action to reduce the amount of aluminium."

Mr David Young, Labour MP for Bolton South, said he would demand assurances from the Government about the level of metal in tap water.

"I am particularly concerned that legal machinery should exist to ensure that after privatisation the companies involved will be required to remove metal from water supplies."

MP to question plans on secrecy

By Charles Hodgson

THE GOVERNMENT is expected to come under pressure this week to provide further details of its proposed reform of the Official Secrets Act.

Mr Tam Dalyell, the Labour MP, is to question Mr Richard Luce, the Civil Service Minister, on conflicts of conscience facing civil servants who disagree with government action.

The Government is due later this month to publish its white paper on proposed reforms of the secrets act, which will for the first time define categories of information to be protected.

The aim is to close loopholes in the catch-all Section 2 of the existing act, which is considered ineffective.

According to a press report yesterday, the Government will seek to ensure that journalists who receive information and officials who leak or publish information can be effectively prosecuted.

The report said the new measures would outlaw the defence that information was leaked in the public interest. It would also end the justification that the material was already in the public domain.

Poll shows big opposition to privatisation proposals

BY OUR POLITICAL STAFF

SIX OUT of 10 people oppose government plans to privatise the water and electricity industries, according to a public opinion poll published yesterday.

The poll, carried out by Market and Opinion Research International for The Sunday Times and London Weekend Television's Weekend World programme, also shows that opposition to the community charge, or poll tax, is growing and that there is widespread support among Conservative and Labour supporters alike for continued state funding of the National Health Service.

It found that a majority of people favour a "mainly socialist society" in which public interests and a controlled economy predominated, and where caring for others was more highly rewarded than creation of wealth.

However, the poll shows that the Conservative Party has widened its lead over Labour in party ratings. The Conservatives lead Labour by 47 per cent to 40 per cent compared with a 3 percentage point gap in a similar poll two weeks ago.

The merged Social and Liberal Democrats were unchanged at 7 per cent, while the SDP slipped 2 points to 4 per cent.

The Conservatives continue to rely on economic and defence policies to maintain their lead, while the biggest handicap facing Labour is the perceived high level of influence of trade unions over the party.

Sir John Nott, the former Conservative Defence Secretary, questioned on Weekend World about the poll results, said it showed that the party was "going too fast" in the second phase of its programme.

"Privatisation, council house sales, the removal of controls. . . need not provoke a great deal of opposition," he said. "When you get into redistributive areas where there are losers as well as gainers – the reform of the health service, the reform of education, the reform of welfare – then you are in the second phase of radical reform which will undoubtedly be very, very much more difficult to implement."

Sir John suggested that the government tone was "too strident".

John Hunt on the issues behind this week's European pollution talks

Acid test for environment ministers

ENVIRONMENT ministers will gather in Luxembourg on Thursday for a crucial meeting of the European Community Council, where important decisions will have to be taken on the controversial subjects of acid rain and depletion of the ozone layer.

Officials of EC governments have already been in intensive discussions to pave the way for the meeting. Lord Caithness, the British Environment Minister, has held preliminary talks in London with his West German counterpart, Dr Klaus Topfer, who will chair the Luxembourg talks.

This will be the last environment meeting under the West German presidency of the Council of Ministers. In view of that country's intense interest in conservation, particularly the effect of acid rain on its forests, Dr Topfer is determined to reach some binding long-term agreements.

Lord Caithness will be equally anxious to dispel the impression among his community partners that Britain is the bad boy of Europe when it comes to pollution. The Government is extremely sensitive to such accusations and maintains that they are not justified.

The meeting comes at a difficult time for the British Government. At the weekend it came under criticism from the Royal Commission on Environmental Pollution for failing to meet the safety criteria for disposal of industrial waste laid down by the commission in 1985.

In addition, The Labour Party claimed that Britain was the "dustbin of Europe" on environmental matters. Mr John Cunningham, Labour environment spokesman, has written to Mr Jacques Delors, president of the European Commission, asking him to put pressure on Britain to meet its international environmental obligations.

On top of that, Labour Euro MPs have drawn up a "charge sheet" alleging that Britain is guilty of 22 infringements of EC pollution regulations.

Heading the agenda at the meeting will be the formulation of a draft directive for large combustion plants to tighten control of smoke emissions. These come mainly from coal-burning power stations and are a big contributor to acid rain.

The question of the threat to the ozone layer – after the discovery of a hole in the ozone layer over Antarctica – will arise at the meeting with the ratification of the Montreal Agreement, drawn up last September. Its aim is to reduce the production of chlorofluorocarbons (CFCs), which are used in aerosols, plastic foam and refrigerators. CFCs are believed to cause thinning of the ozone layer around the earth which could lead to a dangerous increase in the ultra-violet radiation reaching the earth's surface.

The controversial topic of tighter controls on vehicle exhaust emissions will also be discussed.

In a recent speech, Lord Caithness adopted a cautious approach to the meeting. Britain, he warned, would need to scrutinise EC environmental measures to see if they were too rigid or unreasonably discriminatory against the UK. He claimed that Britain was still being asked to agree limits on emissions from large combustion plants that were scientifically unattainable and not of proven benefit to the environment.

The large plant directive concerns emissions of sulphur dioxide and nitrogen oxide, which contribute to acid rain. Some countries, notably in Scandinavia, have complained that British pollution is damaging their forests and killing fish.

Britain will find it difficult to meet the standards proposed under the German presidency. The suggested draft directive on sulphur dioxide would mean that Britain would have to reduce emissions by 20 per cent by 1993, 40 per cent by 1998 and 70 per cent by 2003.

On nitrogen oxide, from a base line set in 1980, Britain would have to cut emissions by 25 per cent by 1993 and 40 per cent by 1998. Britain is hoping for a compromise over the sulphur figures but believes that such a compromise will be much more difficult on nitrogen oxide. Some other EC countries are also unhappy about the NOx proposals.

Britain argues that it is already doing all it can to reduce pollution and that it has the most expensive programme in Europe for cleaning up power station emissions. Its published target is to reduce both sulphur and NOx emissions by 30 per cent by the end of the 1990s.

The Central Electricity Generating Board has a £1bn programme to reduce harmful emissions over the next 10 years. All new coal-fired power stations will be fitted with desulphurisation equipment to remove 90 per cent of sulphur dioxide. Three existing power stations are being similarly equipped.

In addition, burners that will reduce nitrogen oxide emissions by 40 per cent are being fitted to 12 existing power stations.

Environmental groups such as Friends of the Earth argue that Britain is still dragging its feet in this area and sees the EC talks as a useful lever to force tougher controls on the Government.

Ratification of the Montreal Agreement, which was drawn up by about 40 nations last September, should not present much difficulty. Its aim is to halve CFC production by 1999.

Mr Charles Secrett, campaigns co-ordinator for Friends of the Earth, believes that does not go far enough and that the target is already out of date.

He believes an 85 per cent cut in consumption and production of CFCs as soon as possible is the only way to stabilise the ozone layer. However, chemical companies argue that such a move before production of an alternative to CFCs would only create a crisis in the market for such products.

The main controversy over exhaust fumes concerns the second stage in control of emissions from car engines of 1.4 litres and less. Nitrogen oxide and hydrocarbons in the fumes are thought to be leading contributors to acid rain.

West Germany, the Netherlands, Denmark and Greece are proposing the toughest limit for tests on such engines of five grammes per test. That would require the fitting of an expensive catalytic converter.

The commission proposes an eight-gramme limit and is supported by Ireland, Luxembourg and Belgium. Britain, Spain, France and Italy are likely to press for a limit as high as 12 grammes, which existing lean burn engines could cope with.

All in all, it looks as if Lord Caithness, who only took up his present post in January, is going to have a very difficult time in Luxembourg on Thursday.

Lord Caithness: Anxious to change Britain's image

Monetary policy attacked

BY PATRICK DANIEL

THE GOVERNMENT'S policies on sterling and interest rates have resulted in a monetary muddle while the large increases in public-sector charges have buoyed up the UK inflation rate, according to economic reviews by City brokers.

Economists at CL-Alexanders Laing & Cruickshank say the Bank of England and the Treasury are no longer in control of UK interest-rate policy, which is now being run by foreign-exchange dealers. In their view, the authorities have been temporarily let off the hook by sterling's recent fall.

Two reports sharply criticise the Government's inflation policy. One, by James Capel, blames higher local-authority rates and increased utility charges ahead of privatisation as a significant reason that inflation has remained stuck at 3½ to 4 per cent.

The other report, by Shearson Lehman Hutton, focuses on the acceleration in money growth, currently overshooting its target 1 to 5 per cent range. It comments: "Were . . . a sharply falling exchange rate [to] threaten an upturn in inflation, the Prime Minister's faith in market sovereignty would be sorely tested."

'Basic weakness' in Wales

BY ANTHONY MORETON, WELSH CORRESPONDENT

IT IS still too early to say that the Welsh economy has turned the corner and is on an upward path, according to a new review published today.

Wales is attracting companies in a number of growth industries, such as electronics, but there is evidence that fundamental weaknesses remain.

Those are the main conclusions of the first issue of Welsh Economic Review. The publication is produced by the Cardiff Business School, part of the University of Wales Institute of Science and Technology in Cardiff, and part-funded by the Institute of Welsh Affairs.

The sceptical approach by the review flies in the face of much establishment thinking which has it that Wales is moving forward strongly.

The editors of the review, Mr Steve Hill and Mr Bob McNabb, detect indications that the traditional weaknesses of the Welsh economy remain apparent. The likelihood of becoming unemployed in the country is higher than elsewhere in Britain.

Welsh Economic Review, Cardiff Business School, UWIST, Aberconway Building, Cardiff.

Treasury under pressure to lift spending target

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE TREASURY is facing strong pressure to raise its public spending target for the third consecutive year after bids for extra cash running into several billions of pounds from major departments.

The bids, for the 1989-90 financial year which begins next April, are being collated in the Treasury. Whitehall officials acknowledge that they point to a substantial overshoot in the £167bn target set for that year.

Initial projections of spending by local authorities and by the Department of Health and Social Security alone are said to be up to £5bn higher than envisaged at the time of the last public spending White Paper in January.

The Home Office and the Ministry of Defence are among other departments seeking substantial additional resources, while Britain's contributions to the European Community are also likely to be higher than planned.

The result is that the total of new bids is substantially higher than the additional £6bn that was being sought by spending departments at this time last year.

At the end of those negotiations, Mr Nigel Lawson, the Chancellor, was forced to agree to add £2.6bn to the overall spending target for 1988-89, while meeting some of the other demands from the traditional contingency reserve.

For 1989-90 the contingency reserve now stands at £7bn and Mr Lawson may be prepared to allocate half that in the present negotiations, which culminate in the annual Autumn Statement in November.

The Treasury is also confident that many of the initial bids from departments are deliberately "padded" and will be easily scaled down.

It is acknowledged, however, that a large proportion of the requests for additional funds are concentrated in areas where the Government is politically vulnerable or in those where it has relatively little direct control over spending.

For example, nearly £1bn of extra spending on the Health Service, mainly on nurses' pay, has been forced on the Government this year, and was not allowed for in the 1989-90 Budget.

Other areas where the Treasury will find it difficult to reject demands for additional resources include housing benefit, where higher rents than forecast are expected to push up expenditure significantly, and disability benefits.

The Ministry of Defence meanwhile is thought to be arguing that enforced cuts in its expenditure over the next few years may involve a noticeable weakening in Britain's front-line defence capability.

The Home Office is anxious for more money to meet successive government pledges to accelerate the prison-building programme.

The Treasury meanwhile has also pencilled in hopelessly unrealistic targets for local authority spending, over which it has little control. It has already acknowledged that the authorities will overspend by £1bn in the present financial year and the overrun in 1989-90 is expected to be much higher.

Building output reaches 15-year peak of £6.73bn

BY ANDREW TAYLOR

CONSTRUCTION output in Britain during the first three months of this year was the highest for 15 years, according to figures published by the Department of the Environment.

Mr David Trippier, Construction Minister, said output of £6.73bn at constant prices was 10 per cent higher than in the first three months of last year.

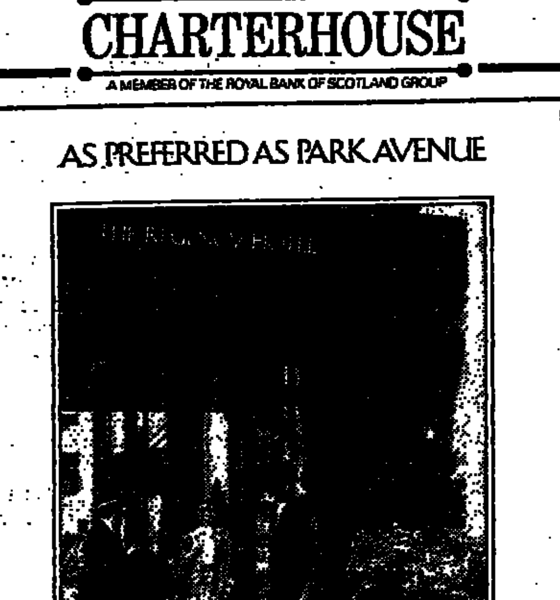
Output by private house builders during the first three months was 27 per cent higher than at the same stage a year ago.

Private commercial output was 9 per cent higher and private industrial activity 13 per cent higher than in the corresponding three months last year.

Fears had arisen last autumn that the construction boom might have started to run out of impetus this year, after the October stock market crash.

The rise in output, however, looks like being sustained. Construction order figures published by the Environment Department at the end of last month showed that orders during the first three months of this year had increased by more than 20 per cent.

Mr Trippier said: "These figures confirm that the healthy state of our construction industry will be maintained during 1988."



Identity cards urged to cut youth drinking

By Lisa Wood

THE WINE and Spirit Association, which represents much of the UK drinks industry, has called for the introduction of identity cards to help publicans deal with under-age drinking.

Mr David Rutherford, new chairman of the association, spoke at a press conference about alcohol abuse, particularly among the young. He said:" We believe that the time has come for the Government to take the bull by the horns and bring in identity cards."

Mr Rutherford discussed the industry's work in educating young people about alcohol. He added that the Government should provide as much money for education on sensible drinking as it did for warnings on drinking and driving.

Environmental issues were another area of concern for the industry, said Mr Rutherford.

He called for greater use of bottle banks. Last year local councils and industry earned nearly £7m by collecting glass but more than £43m worth of glass was thrown away instead of being recycled. Yet Britain imported 2,000 tonnes of refuse glass for glass-making in 1987.

Michael Smith reports on a shipyard dominated by a dispute over holidays

Share-owning workers consider strike option

THE THEORY is simple enough: if workers own a large block of shares in their company, they will have a vested interest in its future and industrial relations will improve. Try telling that to Mr Frank Ward.

Mr Ward is a union leader in Barrow-in-Furness, a town at the tip of a peninsula jutting out above the Lake District in the far North West county of Cumbria, where the naval shipyard VSEL is based. Two years ago the company sold more than a quarter of its shares, in one of the UK Goverment's many sales of state-owned assets, to its workforce. Today it is on the brink of facing a strike by a large majority of its workforce.

"Nobody gives a bugger about the shares," said Mr Ward, secretary of the Barrow Confederation of Shipbuilding and Engineering Unions. "They never saw buying them as anything other than a transaction which would help them to put down a deposit on a house or buy a bathroom.

"Workers still have no say in the running of the company. Owning shares has made no difference to the attitude of the workforce to the company."

The employees' feelings will be tested today when the results are announced of ballots on whether to strike over the company's plans to introduce a fixed two-week summer holiday.

Should a strike be called, the impact would be considerable on both the company and the town it dominates. VSEL is by far Barrow's largest employer, accounting for about 13,000 of the 45,000 workforce and its local weekly wage bill is about £3m.

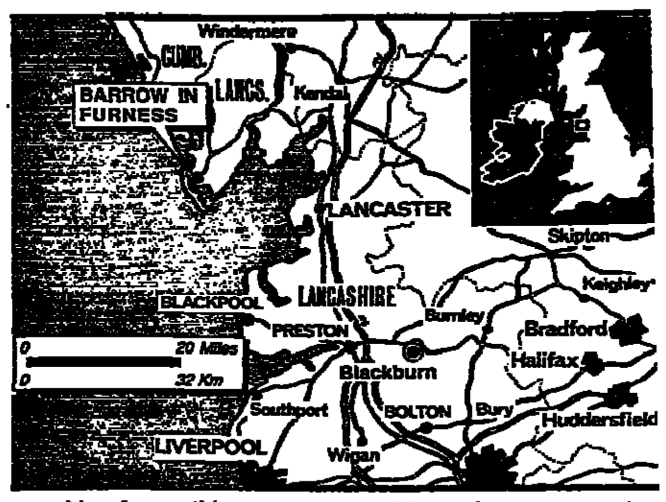
The company has been in Barrow in one form or another since 1871. It took on its present shape in 1986 when it was hived off from British Shipbuilders in a privatisation which gave shop-floor workers the chance to buy 500 shares each. About 82 per cent took up the offer.

That has been no guarantee of industrial harmony, however. Last week VSEL suspended 30 workers who refused to work overtime in protest against the company's holiday proposal. The result was a walk-out by virtually all workers.

As employees began voting on Friday about whether to make the strike official, the mood remained defiant. "Our motivation to stay out is overwhelming," said Mr Mark Newsham, a 22-year-old instrument technician, whose attitude was typical.

Mr Newsham, who still owns 500 shares, says that recent relations between management and workers have been poor. He sees the holidays issue as a matter of principle on which he is prepared to strike.

Not everyone agrees that industrial relations have deteriorated. Mr Terry Wright, a senior engineer who also still owns 500 shares, believes management-worker links may have improved but he voted for a strike. "We are not asking for anything new on holidays; we just want to keep what we have," he said.



As a white collar worker Mr Wright has never had to taked a fixed summer holiday during his 17 years with the company. But manual workers only won their right to take summer holidays when they wanted in 1984.

Both types of workers believe that that the reintroduction of fixed holidays would be costly and disruptive to their lives. They say holidays would be more expensive because demand for package trips would rise. Co-ordinating time off with families would also be more difficult.

In the emotive atmosphere surrounding the ballot, the unions are airing grievances over two other recent disputes, both have which have led to lock-outs in recent weeks, one of a group of boilermakers and the other of electricians.

Mr Rick Emslie, personnel director, firmly rejects union claims by Mr Ward of "abysmal industrial relations" and says the number of days lost through disputes is declining. He does, however, admit that the management is taking a tougher line in negotiations with unions because of the harsher competitive environment in defence contracting.

VSEL has been shielded from the shipyard depression of recent years because of orders from the Ministry of Defence for warships such as the Sheffield and Invincible and submarine ranges such as the missile-carrying Trident. As a result its workforce has remained at between 11,000 and 13,000 during the last 15 years.

Barrow is the only UK shipyard which builds Trident submarines but work on the programme will decline in the early 1990s and the company has to find work elsewhere. It is bidding for a £3bn contract to supply 12 submarines to the Canadian Navy.

"We have to make sure that we can take on any type of competition in the future," says Mr Emslie. Swan Hunter, another shipyard, recently implemented the fixed holiday and VSEL believes it imperative it follows suit.

"This is a highly integrated workforce," says Mr Emslie. "If too large a percentage of employees is away at one time it effects the output of the yard." Workers would still be able to take two weeks off at a time of their choosing even after a summer fixed holiday was implemented because of a more flexible approach by the company to statutory bank holidays.

These arguments have not fallen on deaf ears – particularly among management unions – and some workers were saying over the weekend that the unions had called for a strike ballot too quickly. Few doubted, however, that a strike would be avoided.

Tax campaign threat to pension funds lifted

BY BARRY RILEY

THE THREAT of a concerted Inland Revenue campaign against pension funds has been lifted, according to a bulletin issued by the investment committee of the National Association of Pension Funds.

It had been feared that sharp increases in the rate of turnover of many pension fund portfolios in the past few years might lead to transactions being classified as trading rather than investment. In that event the normal pension fund exemption from income tax and capital gains tax would not apply.

The pensions industry has been swept by rumours about the activities of the Special Office of the Inland Revenue in Sheffield. But at a meeting at Somerset House between investment committee members and Revenue staff, including the director of the Sheffield unit, the NAPF was given "highly favourable" assurances.

The only condition on the funds is that they should observe the levels of transaction generally prevailing.

In its latest bulletin, the committee concludes: "As long as funds have proper regard to their investment intentions, the NAPF is confident that the recent generalised concerns about 'trading and taxation' may be put behind us all."

However, the bulletin notes that particular areas of difficulty remain. They include:

Dividend washing: If securities are bought cum-dividend and sold ex-dividend within a month, the gain counts for tax purposes as income which is taxable. Funds are warned about inadvertent dividend washing which may occur where funds use more than one investment manager. Such managers may sometimes buy and sell the same stock.

Stock lending: Income from stock lending is not exempt from taxation and should be declared.

Certificates of deposit: The Inland Revenue is claiming that buying certificates of deposit and selling them before maturity could be regarded as trading. The NAPF disputes that and discussions are continuing.

Another unresolved matter concerns the sub-underwriting of new issues by pension funds. The rise in the volume of sub-underwriting during last year's new issue boom led to suggestions by the Revenue that this amounts to trading in some cases.

The NAPF has accepted an invitation from the Revenue to pursue further technical discussions in this area. Meanwhile, funds are told that it would be "unhelpful" if any of them were to accept a liability in this area.

Discussions are also continuing on the tax treatment of unit trusts held by pension funds and on the taxation of futures and options.

Lloyds expands funds arm

BY OUR FINANCIAL STAFF

LLOYDS BANK is to restructure and expand its investment management arm, which manages £5.4bn for external clients and for the bank itself.

Five companies are being established as subsidiaries of Lloyds Investment Managers. They will cover UK pension funds, other UK clients, specialist products, and international clients divided for regulatory purposes into US and non-US.

LIM expects to benefit from Lloyds Bank's decision to sell only its own retail investment products under the polarisation rules that came into force at the end of April and is planning to increase its staff from fewer than 120 people to nearly 150 by the end of the year.

At present LIM manages only about £100m for Black Horse Life, which writes almost all of Lloyds Bank's endowment mortgage and other life business. That figure is likely to increase rapidly.

Lloyds Bank's own pension scheme accounts for more than £2bn of the £5.5bn of UK pension fund investments managed by LIM. However, LIM has recently won large contracts from Gloucestershire County Council and the London Borough of Islington.

Start date for Glasgow airport expansion

By James Buxton, Scottish Correspondent

BAA, FORMERLY the British Airports Authority, is to begin work in October on a £46m project to expand Glasgow airport to meet growing demand for space and services for the mid-1990s.

BAA announced a project to spend up to £110m at the airport at Abbotsinch, west of the city, in February last year. The project was reconsidered last November by the board, which has now decided to proceed with it in phases.

The scheme is based on projections from current traffic at the airport. In the year to March 31 1988 3.45m passengers passed through. The number is expected to increase to 5m by 1995.

It entails improving terminal facilities, doubling the size of the check-in area, and a new layout for roads and car parking.

BAA says that a phased development is essential to provide flexibility in the light of completion of the European internal market "which could dramatically alter the balance between domestic and international traffic."

However, it apparently takes no account of possible changes in the role of Prestwick airport, which handles Scotland's transatlantic services. The Government is due next year to review the status of Prestwick airport, which is also run by BAA.

The continued restriction of Scottish transatlantic flights to Prestwick has lately come under increased criticism from business leaders and parts of the media in Scotland.

Prestwick, which handled about 300,000 passengers in the year to March 31 1988, and is inconveniently located for many people travelling in and out of Scotland, is increasingly regarded as a serious brake on the development of international air travel to and from Scotland.

If transatlantic flights were to be moved from Prestwick, that would affect Glasgow and Edinburgh airports. Increased facilities would then almost certainly be needed at Glasgow.

David Thomas examines the tasks facing the new Provost of University College London

University challenge for senior industrialist

WHEN Mr Derek Roberts broke the news of his appointment as next Provost of University College London, to his boss at the General Electric Company, Lord Weinstock's response was that he would have taken the job himself.

That two senior industrialists – Mr Roberts in reality and Lord Weinstock even as a fantasy – would entertain taking a substantial pay cut to move into academia speaks volumes for the managerial challenges being thrown up by the universities.

For Mr Roberts is being recruited essentially for his experience as a manager, first of Plessey's research and semiconductor activities and most recently of GEC's massive research effort.

True, Mr Roberts has acquired more than a nodding acquaintance with academia over the years, as a visiting professor at Lancaster University and at UCL itself. He also carries the considerable distinction of having been elected a Fellow of the Royal Society for his work at GEC and Plessey.

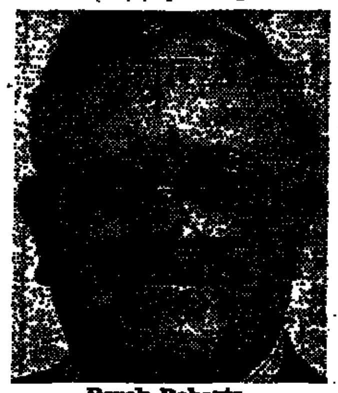
Yet a college that has notched up nine Nobel laureates could have had the pick of Britain's dons if it had been looking for a distinguished academic to adorn its most important seat. Instead, the oldest English university institution after Oxford and Cambridge has turned to an industrialist to sort out its problems.

First among these is finance. Sir James Lighthill, the present Provost, gave a warning last month that the college might be insolvent by the end of next year unless it could persuade 60 academics to retire early.

For Mr Roberts, the very necessity to talk in such terms shows that the Government's squeeze on university funds has gone too far. "Can you imagine opening up the French newspapers and reading that the French Government was letting the Ecole Polytechnique go bankrupt?" he asks.

UCL has so far avoided the gaps in its most prestigious chairs that have recently brought Oxford much publicity, although it waited six years before recently filling its senior professorship of philosophy. But it has had to freeze new appointments twice this decade, with the latest freeze still in place.

It has kept its full-time academic staff at around 800 partly through mergers, such as with Middlesex Hospital and the Institute of Archaeology. It has also increased the number of staff sustained by research grants and contracts to 600 by winning more



Derek Roberts

work from industry, which now accounts for more than a sixth of its research budget of over £20m.

Yet Mr Roberts is eager to dispel the notion that he will bring UCL a pot of gold simply because he has spent all his life in British industry. He argues: "I don't believe it's realistic to assume the financial problems of the universities will be overcome simply by persuading industry to put its hands deeper into its pockets."

Mr Roberts doubts whether a company such as GEC could justify to its shareholders funding pure university research unrelated to commercial applications. Conversely, academics would suffer if they relied on commercial funds for pure research because they would have to worry about the needs of their sponsors.

He sees the solution more in changing the climate of public opinion about the value of the universities and thereby persuading the Government to return to a more generous funding path.

In saying that, Mr Roberts is by no means a knee-jerk critic of all that the Government has done. He accepts the shift in emphasis away from subjects like the social sciences.

He doubts whether academic tenure is essential to academic freedom, although he questions the timing of its removal. He believes the financial squeeze of the early 1980s was probably necessary to instil financial discipline.

However, he argues that the squeeze has gone on too long. "If it continues for the next few years, the situation becomes serious."

Meanwhile, the new Provost of UCL will have a host of subsidiary issues to sort out, including:

Morale: Mr Roberts acknowledges low morale among Britain's academics, partly because of poor pay. When his scientists have contemplated leaving GEC to take a chair at a British university, which typically carries a salary of about £30,000, they have faced the prospect of a 25 to 30 per cent pay cut.

Demography: UCL is gearing up for the severe decline in its main market - 18 to 20-year-olds - in the early 1990s. It is now thinking hard about copying the American habit of using its alumni to sell its virtues in the schools.

Restructuring: Mr Roberts will probably have to cope with some tricky decisions about individual departments as a result of an exercise by the authorities nationally to rationalise teaching and research facilities. UCL has already felt some chill winds: it is under orders to close its dental school and was disappointed with the grading recently given to its earth sciences department.

The former GEC technical director will be bringing to all these questions experience of managing a research and development budget that dwarfs anything dreamt of in the university sector. Yet Mr Roberts believes the management techniques used in a company such as GEC can be transferred to the public sector. Many people in Britain's universities will be waiting to see whether his confidence is borne out.

Irish accord faces court test

BY KIERAN COOKE IN DUBLIN

IRELAND'S constitutional lawyers are going to have a busy week.

Tomorrow Mr Christopher McGimpsey and his brother Michael, Unionists from Northern Ireland, are bringing a case in the High Court in Dublin aimed at declaring that the 1985 Anglo-Irish Agreement is contrary to the terms of the Irish Constitution.

At first the McGimpseys were dismissed as mavericks, their case termed a piece of political mischief-making. But many now feel that the brothers from the north, both company directors in the building trade, have found the judicial jugular.

The McGimpseys will be putting forward two main points. They argue that Article 1 of the Anglo-Irish Agreement recognises the right of Unionists in the north to remain British and accepts the north as a separate political entity. That, they say, is contrary to Articles 2 and 3 of the Irish Constitution, which lay claim to Northern Ireland.

The agreement also breaches articles of the Irish Constitution stating that the government has no right to cede the free exercise of power to a foreign authority.

Mr Michael McGimpsey says: "We are saying that by marrying the foreign policy of the Irish Republic into the Maryfield Secretariat they have given away some of their free exercise of power."

A similar argument was used in a successful action in 1987 against the terms of the Single European Act. The Dublin Government was forced to hold a referendum to gain approval for signature of the act.

The McGimpseys have raised about £80,000 for their action and have the backing of a number of senior Unionist politicians. Some of the top constitutional lawyers in Dublin have been engaged to fight the McGimpsey case.

Mr Michael McGimpsey says: "What we want is to discredit the whole process which the Anglo-Irish Agreement involves and put in place new procedures for the good of everybody.

"The agreement does not take in the political realities of the situation. We just want the judiciary in Dublin to proclaim the status of Northern Ireland."

The McGimpseys, like most of their fellow Unionists, feel that the Anglo-Irish Agreement ignored the position and aspirations of the Unionist community.

Mr Michael McGimpsey says: "The agreement was brought in over the heads of one million Unionists. It precluded us completely from its processes."

The brothers reject the argument put forward in Dublin that they have no "locus standi" in this case.

"Under the Irish Constitution we are recognised as Irish citizens. They cannot say we have no material interests in the Irish Constitution."

Scots CBI calls for better links to Channel tunnel

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

TOO MUCH emphasis is being placed on improving transport between London and the Channel tunnel and not enough on ensuring that companies based north of London have good access to the tunnel, according to the Confederation of British Industry Scotland, the Scottish division of the organisation.

Mr John Davidson, CBI Scotland's director, said that, viewed from Scotland, "the picture of the tunnel is obscured by a number of barricades."

Addressing a conference in Edinburgh on the Channel tunnel, which is due to open in 1993, Mr Davidson said the current emphasis in transport studies was on improving rail links between London and the tunnel. "That is not good enough for Scottish exporters and will not help to attract inward investment to Scotland."

A British Rail survey showed that half the Scottish companies consulted that do not now export would consider Continental markets when the tunnel opened; half of those which do export expected significant growth. The tourist industry would also benefit.

Mr Davidson said the number of Scottish companies interested in using the roll-on roll-off shuttle for lorries through the tunnel was higher than the national average. That underlined the need for improved road connections to the south of England.

Mr Ian Lang, the Scottish Office Industry Minister, told the conference there was no excuse for the benefits of the tunnel staying locked in the south-east of England. British Rail services for Scottish freight must be the same as those for the rest of Britain and he hoped there would be daily through passenger services to the Continent from Edinburgh and Glasgow.

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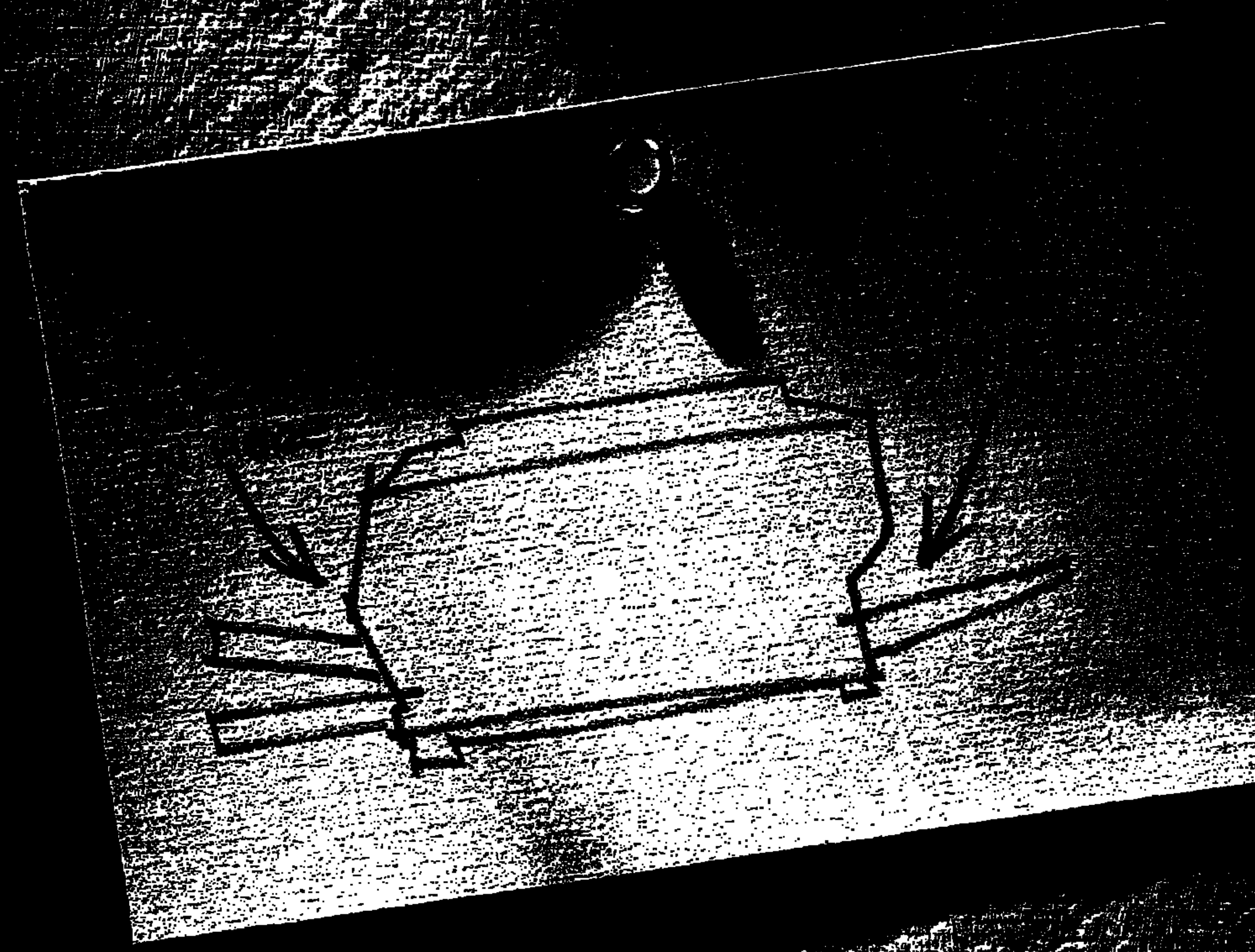

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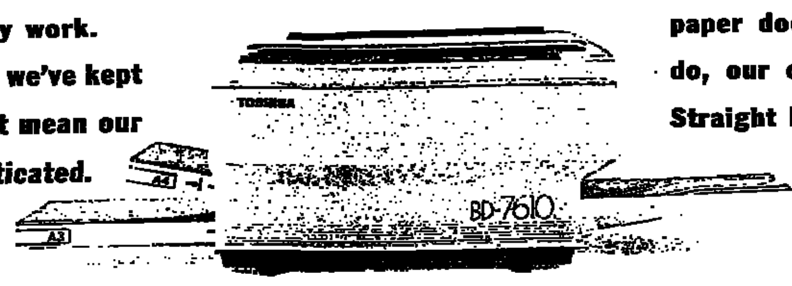

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PRIVATISATION

Mexico's state sell-off continues apace, as **David Gardner** reports

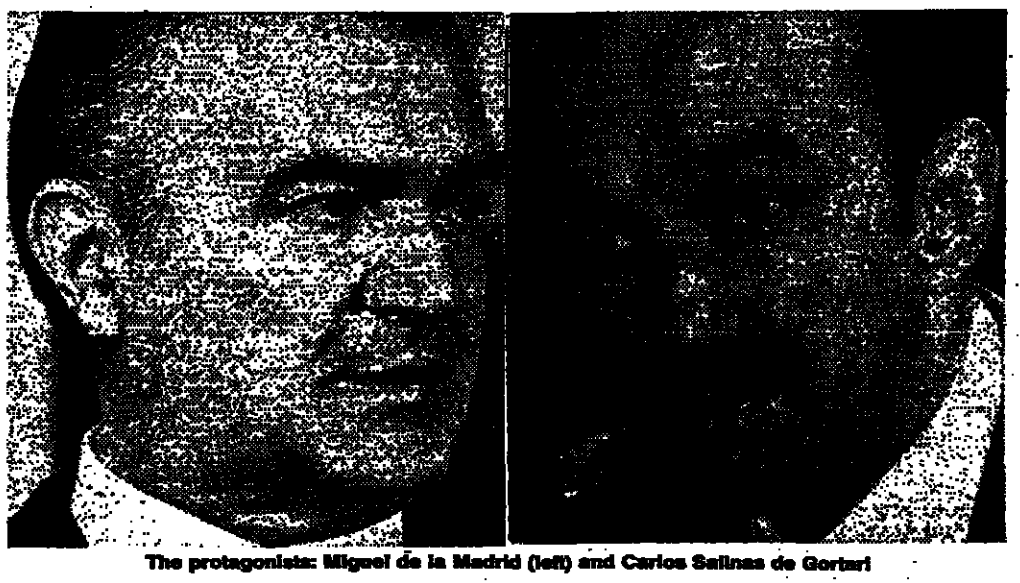
Going back to the future

PRIVATISATION is not a word the Mexican Government likes to use, preferring the politically more neutral and less neological "disincorporation". But after five years of mostly talk the lame-duck administration of President Miguel de la Madrid has launched a sell-off of public sector assets which is turning back five decades of state expansion.

Mr Carlos Salinas de Gortari, the former Planning Minister who is President de la Madrid's virtually certain successor after elections in July, has declared his intention to take divestitures further than could have been imagined even a year ago.

In recent weeks, the Government has closed Aeromexico, the wholly-owned state airline, prior to opening up routes to foreign and private regional carriers alongside a shrunken Aeromexico under trade union and private ownership, and selling off its majority stake in Mexicana, the other flag airline.

It has also sold the Cananea copper mining company, Mexico's largest, and published a substantial new list of companies to be divested soon. This includes major sea-food, sugar and vegetable oil processing chains, some significant engineering and special steels companies, a tropical woods group, gold, silver, barite and graphite mining concerns, a shipbuilder and two petrochemical plants.



The protagonists: Miguel de la Madrid (left) and Carlos Salinas de Gortari

Before it leaves office in December, officials say, the Government intends to have 463 companies in the so-called "parastatal" portfolio against the 1,155 it inherited in 1982.

Mr Salinas has meanwhile caused a flurry by announcing that he intends to open up Telefonos de Mexico (Telmex), the state telecommunications monopoly, to private, and, officials say, probably foreign investment.

A Salinas administration will – his advisers say privately – almost certainly also privatise the Sidermex steel concerns, the bulk of petrochemicals production, and the remainder of the state mining industry.

These are changes of historic magnitude. State involvement in the economy has been hammered home ideologically since the 1910-17 Mexican Revolution, from which the ruling Institutional Revolutionary Party (PRI) emerged, as synonymous with national sovereignty.

This involvement encompasses not only strategic industries like oil, power and communications, but had encroached on widely diverse activities such as ceramics, cabarets, spas and sporting clubs, the national newsprint monopoly and national lottery, and, perhaps as evidence of its quixotic intent, windmill manufacture.

Mr Salinas himself has kept to the letter of PRI orthodoxy by making punctiliously clear that "strategic" industries – as defined by the 1917 Constitution – will stay state-owned. Petroleos Mexicanos (Pemex), the state oil monopoly; the Federal Electricity Commission; the railways; Conasupo, the subsidised basic foods distributor; the banking system expropriated by Mr de la Madrid's predecessor, Mr Jose Lopez Portillo, at the height of the 1982 foreign debt crisis – all have been placed explicitly off-limits.

Mr Salinas, notably in a conference last June addressed by a galaxy of foreign economists, has tried to place Mexico somewhere in the international mainstream of industrial restructuring between, say, Mr Gorbachev's *perestroika*, Mr Felipe Gonzalez's aggressively capitalist Spanish socialism, and Mrs Thatcher's "deliberate reversal of the post-war consensus" (to quote the opening remarks of Kent Matthews and Patrick Minford's "Mrs Thatcher's Economic Policies", in last October's Economic Policy, a paper much admired by Salinas associates).

But within Mexico's tradition, the de la Madrid measures and Salinas plans are widely viewed as revolutionary – or as counter-revolutionary by the resurgent nationalist Left. Led by Cuauhtemoc Cardenas, a regime dissident, it is splitting the hitherto monolithic PRI.

Mr Cardenas is the son of the revered late President Lazaro Cardenas, the dominant political figure in Mexico this century. He nationalised the oil industry 50 years ago – the second defining act of the PRI-moulded nation after the 1910 Revolution itself.

Cuauhtemoc Cardenas accuses the de la Madrid/Salinas group of Ivy League-trained technocrats of selling the nation's birthright. He calls for a strong but more democratic state intervening on behalf of workers and peasants to recover national sovereignty he argues has been hocked to the banks, the multinationals and big Mexican capital.

Though the PRI has never allowed itself to lose an election for president, state governor, or even a single senate seat, this message has already built the biggest mass movement in Mexico since the *Cardenista* upsurge orchestrated around the 1938 oil expropriation and simultaneous handover of land to the peasants.

In Mexico, in other words, privatisation carries a particularly high political voltage which could short-circuit Mr Salinas' radical strategy to modernise the economy. This strategy foresees consolidating the new open frontiers trade policy and more opportunity for foreign investment, as well as a smaller state spreading thinner resources with strategic care.

Mr Salinas seeks to dodge charges that he is only offering *mas de lo mismo* (more of the same, a play in Spanish on Miguel de la Madrid's initials) by promising the Three Big "Ds":

- Democracy – a reiterative commitment to more democracy, without which Mexico will at best stagnate anyway;
- Disinflation – now being pursued under a stabilisation shock plan devised largely by his advisers;
- Debt – a cut of 35-48 per cent on servicing the $103bn foreign debt, ideally via negotiation, but if not, unilaterally.

In theory, this offers a return to the remarkable average of 6 per cent growth per annum Mexico enjoyed from 1933 to 1981. But the state sector remains a difficult issue, not least because one in 20 Mexicans works for the state, which probably means a quarter of the population depends on it. Some 54 per cent of disincorporations planned are closures, not sell-offs.

One of the reasons the "parastatals" expanded from 391 in 1970 to 1,155 in 1982 was precisely the institutional weakness and financial irresponsibility of Mexican capital, which could rely on the state for guaranteed contracts and markets and if not, to take over lame-duck companies, the last of them Mexicana in 1982.

Privatisation, moreover, has been a messy, ad hoc affair without structure or method, widely perceived as favouring a capitalist elite of large industrialists and financial speculators.

In addition the Government has only recently – faced with the neo-Cardenas phenomenon – sought to win the intellectual argument for what it summarises as a strong and effective, rather than obese and ubiquitous state.

"We haven't really made a clear statement of purpose" on privatisation, admitted one official close to Mr Salinas last month. Indeed monitoring privatisation is like trying to keep track of a clandestine movement, whose members, when run to earth, give widely varying figures of its strength.

The Government produces contradictory and overlapping lists of companies "sold", year after year. In February 1986, for instance, then Planning Minister Salinas told the FT the sale of Mexicana "is a fact"; it may finally be sold before December, now that the state has dismembered Aeromexico and the airline unions.

Though woefully presented, the reasons behind the unprecedented divestiture drive are practical as well as philosophical.

After the trauma of the 1982 financial collapse and bank nationalisation at the end of the Lopez Portillo administration, Mr de la Madrid urgently needed to rebuild business confidence, attract foreign investment, and entice back capital flight estimated at $45bn. (By contrast, divestitures have probably realised less than $1bn, though budget savings are estimated to double that).

The state therefore pulled in its horns. In the oil and credit boom of the 1970s, 43 per cent of non-oil industrial investment was parastatal. On the eve of the debt crisis, public capital investment reached a high of 12.9 per cent of GDP; last year it was 5.5 per cent. Though this represents a huge cost in foregone infrastructure, the parastatals' inflationary deficit was cut from $16bn in 1981 to $200m last year. During these process there were a number of symbolic decisions, such as the 1986 closure of Fundidora de Monterrey, Latin America's oldest steel company.

In 1984, Mr de la Madrid returned assets in 339 of 483 companies in the bank's portfolios to former bank shareholders, including stock brokerages, insurance and leasing companies, and mutual funds. These became the core of a private, parallel financial system competing effectively with the banks. By October 1987, just before the stock market crash, the brokerages controlled 33 per cent of national savings compared to 8 per cent in 1982.

Lamentably, however, Mexico's emerging bourse would have collapsed last October even without international prompting because of a major – two ministers now privately say "scandalous" – error in privatisation strategy. Mr de la Madrid redeemed his 1983 pledge to sell off 34 per cent of bank equity last year, but the shares were hugely underpriced and pre-placed not only with bank employees but often with clients selected according to PRI norms of political patronage, such as businessmen disaffected by Mr Lopez Portillo's last fling of statism or journalists.

Shares in the two main banks, Banamex and Bancomer, rose 3,170 per cent and 2,190 per cent from issue on February 6 1987 to the end of September. In the third quarter, the five main financial shares rose over 300 per cent in dollar terms. Fairy tale fortunes were made, and lost, before the bubble burst. Banamex acquired a market valuation over $3bn, on a par with Chase Manhattan or Bankers Trust, while the leading brokerage, Operadora de Bolsa, was valued at its height at $2.3bn, rather more than Morgan Stanley.

The banks shares issue frittered away an opportunity to start using the market for privatisation as well as discrediting the idea itself.

The Salinas team nonetheless hopes to try using the market again, and is preparing white papers on Telmex and Sidermex for December. "If Telmex is to be privatised it really has to be (a) transparent (process)," one adviser argues.

The team is also responding to criticism. It is looking more critically at whether the chronically monopolistic structure of Mexican *industry* and *distribution* is being worsened by the current drive – which some observers see as an end-of-term fire-sale, a counterpoint to the Lopez Portillo bank expropriation.

"The rush is perhaps unwise. You can't do in six months what you should have done in six years", argues Mr Jesus Silva Herzog, the respected former Finance Minister who fell out with President de la Madrid and Mr Salinas in mid-1986.

Garci Crespo, the soft drinks concern, was sold to the Visa group, to give it a total monopoly in the sector. By contrast, Cananea, the copper mining company, was sold to Protexa, a construction group (admittedly one with strong links to the PRI) against bids from the major mining companies.

Philosophically, however, radical import liberalisation is seen as the main weapon to inhibit monopolies, "changing the Who's Who of capital and labour", in Planning Minister Pedro Aspe's words. But one senior minister claims none the less that "in at least three (privatisation) cases involving goods not tradeable internationally we didn't sell to the major company in the sector".

But for all the fuss, longer term analysts are already looking beyond privatisation. "Far more important than the possible privatisation of Sidermex is what's going to happen with trade liberalisation," argues Peter Hutchison, Vice-President, Corporate Finance and Planning, of Grupo Alfa, Mexico's largest private company, whose core businesses are steel and petrochemicals.

Mr Timothy Heyman, formerly of Rothschilds and one of Mexico's most respected financial analysts, goes further and says "the serious challenge for the next Government will be to apply private sector discipline to the strategic companies it has no intention of privatising."

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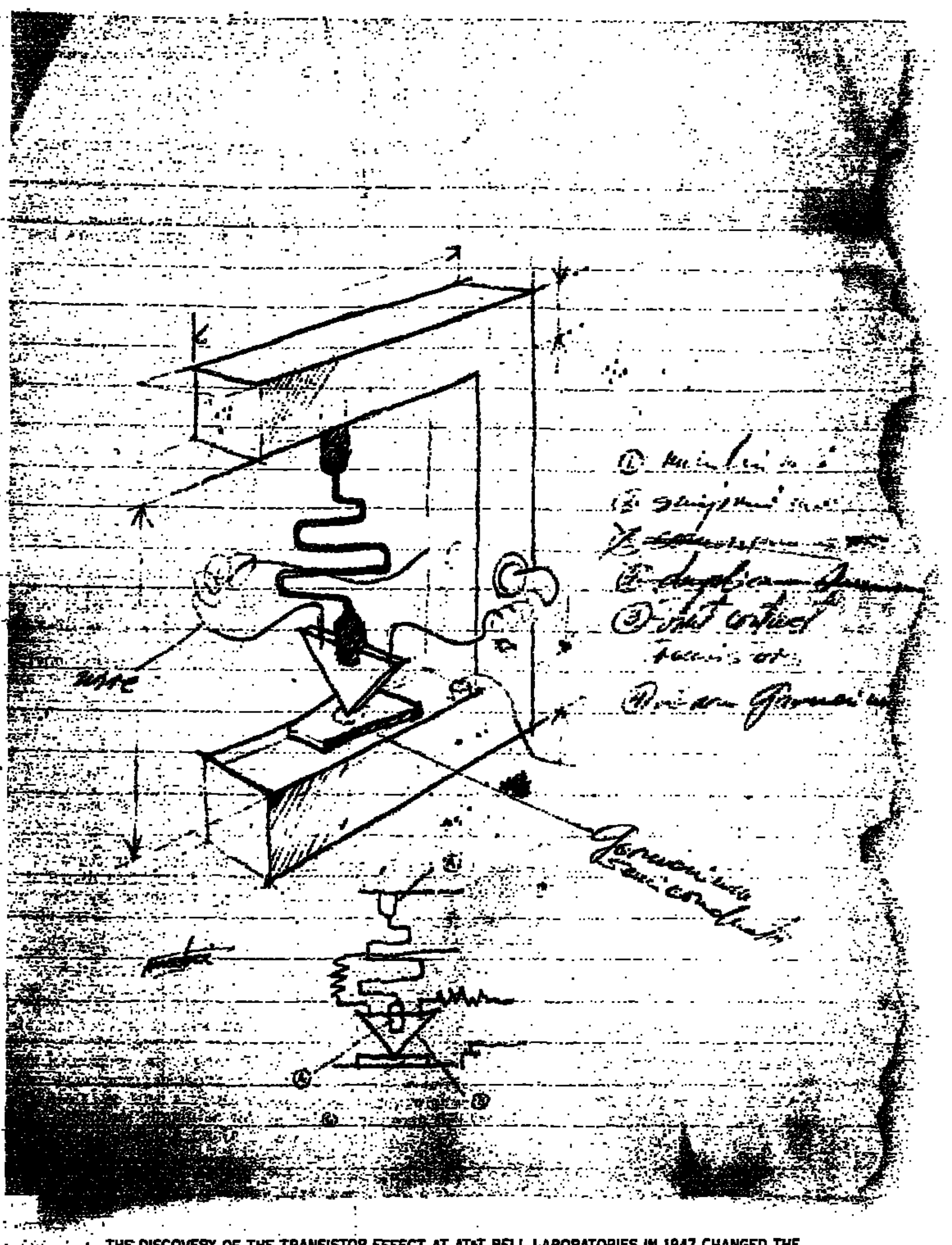

THE DISCOVERY OF THE TRANSISTOR EFFECT AT AT&T BELL LABORATORIES IN 1947 CHANGED THE *COURSE OF HISTORY. SUDDENLY MINIATURISATION WAS POSSIBLE AND THE AGE OF ELECTRONICS HAD BEGUN.* IN THIS FIRST TRANSISTOR THE CONTACTS WERE MADE OF GOLD AND THE SEMICONDUCTOR WAS GERMANIUM.

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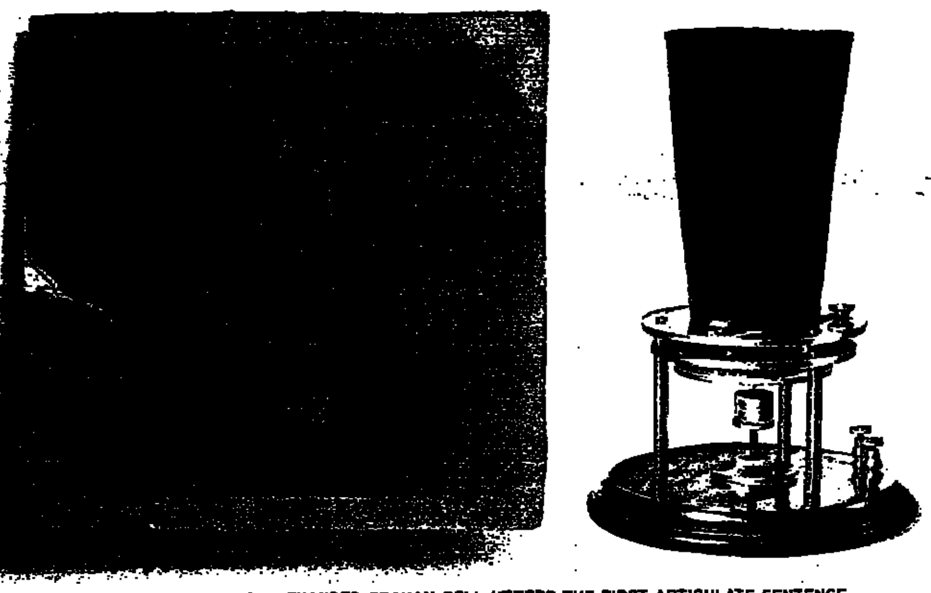
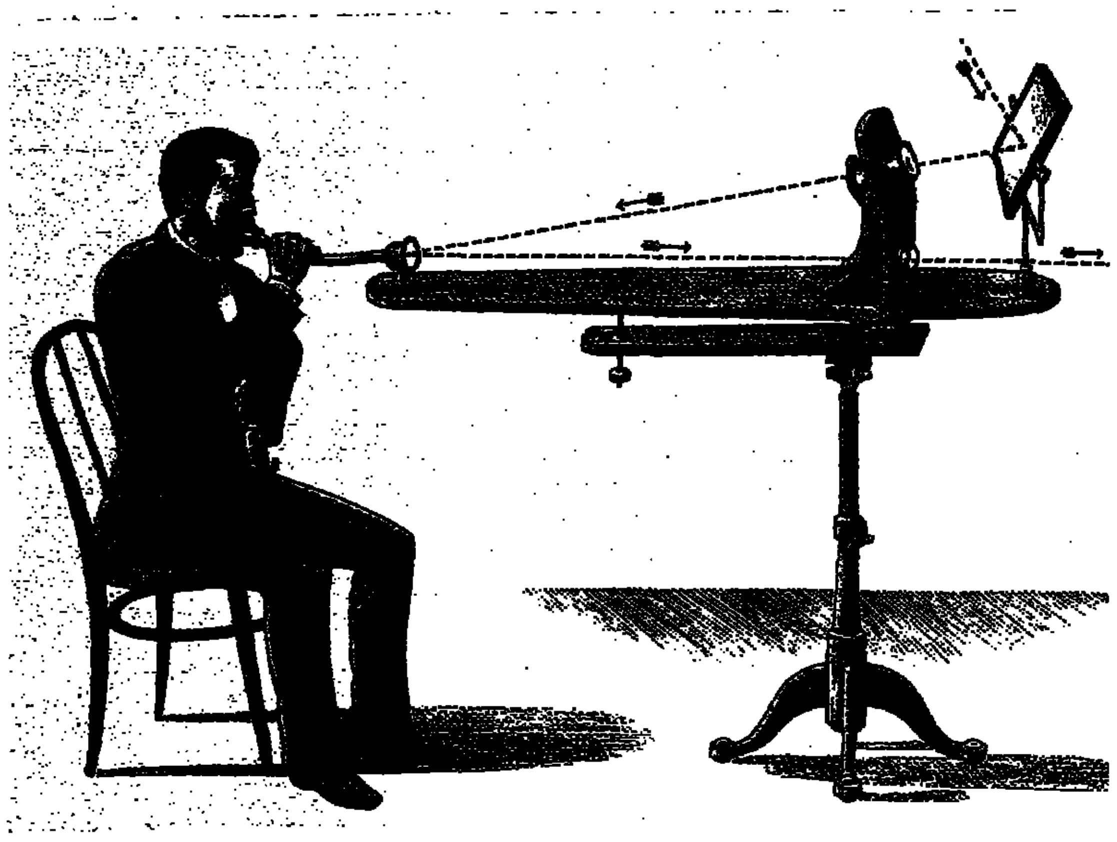


MARCH 10TH. 1876. ALEXANDER GRAHAM BELL UTTERS THE FIRST ARTICULATE SENTENCE EVER TRANSMITTED OVER HIS NEW INVENTION. THE LIQUID PHONE. "MR. WATSON. COME HERE. I WANT YOU." AND THUS THE FIRST AT&T PATENT IS EARNED.



THE PRECURSOR OF FIBRE OPTICS FIRST SAW THE LIGHT IN 1880 WHEN ALEXANDER GRAHAM BELL WROTE OF HIS EXPERIMENTS WITH THE "PHOTOPHONE". "I HAVE HEARD A RAY OF THE SUN LAUGH. COUGH AND SING."

"Mr. Watson, come here," were the words that announced the invention of the telephone way back in 1876.

Unknowingly, they were also the words that announced the birth of an organisation that would ultimately be known as AT&T.

A few years and thousands of telephone poles later, the people of Los Angeles were able to talk directly to the people of Boston. The nascent AT&T was on the move.

In April 1927, a handful of New Yorkers glimpsed the future. AT&T Bell Laboratories, now the inheritors of Alexander Graham Bell's inventor's mantle, had developed a way to carry the first television image over telephone lines.

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In 1956, AT&T and its partners laid the first transatlantic telephone cable, and the world suddenly seemed a lot smaller.

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The story continues in a similar vein until today. In fact, AT&T have earned a patent every working day for more than 60 years, most of which have contributed to improving the world's communication.

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APPOINTMENTS

Tarmac promotions

TARMAC QUARRY PRODUCTS has made the following promotions: Mr John Glaves has been appointed managing director of Tarmac Roadstone North West; Mr Roy Harrison becomes managing director of Tarmac Topmix, and Mr Stuart Matthews is made regional general manager of Tarmac Topmix in the North West and Scotland.

★

Mr Henry Lee has been appointed production director of FINANCIAL PRINT & COMMUNICATIONS.

★

Dr Garry Hunt has been appointed managing director of LOGICA CONSULTANCY. He was business development manager for PA Consultancy Group.

★

Mrs Pauline Brown, who started as an office girl 30 years ago, has taken over as chairman of LINDUM CONSTRUCTION, Lincoln, the first woman to occupy the post.

★

Mr Jerry Noble has been appointed to the board of BRITISH ISLAND AIRWAYS as group development director, looking at the acquisition of tour operators.

★

The BRITISH WATERWAYS BOARD has appointed Mr T.T. Luckcuck as secretary and parliamentary adviser, a new post. He has been secretary since 1968.

★

J.H. MINET & CO. has appointed Mr Alan Coombe and Mr Peter Ovenden as executive directors of the North American division. The following have been appointed divisional executive directors: Ms Martine Compton, fine arts and jewellery; Mr Malcolm Long, management services; Mr Patrick Miller, oil and gas offshore; and Mr Michael Screech, aviation.

★

Mr Malcolm Proctor, general manager of D.C. COOK SERVICES, part of the D.C. Cook Group, has been appointed to the main board.

★

THE MOLLINGTON GROUP has appointed Mr Gilbert Cooper as managing director. He was managing director of the foods division of Unigate.

★

ELDERS FINANCE GROUP has appointed Mr J. Michael Bradbury as business development director. He joins from PB Trade Finance where he held a similar post.

★

Mr Ken Davies of Ametalco, and Mr Phillip C.F. Crowson of The RTZ Corporation, have joined the board of THE LONDON METAL EXCHANGE.

★

Mr Martin Henwood has been appointed sales and marketing director, and Mrs Lorina Pilgrim has been appointed finance director of TOURIST TAX FREE SHOPPING.

★

The WATCO GROUP, Guildford, has appointed Mr Christopher S. Colmer as group marketing director.

★

Mr Howard Witts has joined EMI RECORDS (UK) as finance controller. He was finance controller of Arlington Motor Holdings, part of Unigate.

Mr Stephen Melcher (left) becomes finance director of EAGLE STAR INSURANCE COMPANY from July 1. Mr Melcher, who joined the company on June 1, worked for C.T. Bowring for the past five years, first as finance director and then as general manager of non-marine insurance broking. Previously he was assistant treasurer of Marsh McLennan, Bowring's parent company, in New York. He succeeds Mr Martin Broughton (right) who leaves Eagle Star on June 30 to join the board of B.A.T. INDUSTRIES GROUP, of which Eagle Star is a member.

Mr Martin Brooks has been made managing director of EXTEL FINANCIAL. He was previously director of the Financial Times Information Services Division.

★

COXMOORE has appointed two directors in the knitwear divisions from July 1. Mr Andrew Freeman joins the group as knitwear divisional director with overall responsibility for Coxmoore & Co., of which he becomes managing director, and of Harold Ingram. He was managing director of Viyella Menswear. Mr John Day becomes sales director of Coxmoore & Co. He was with Crowthers. Mr Roger Spence has been appointed divisional manager of REMPLOY LUNDIA. He succeeds Mr Charles Chapman who is retiring.

★

Mr Geoff France becomes managing director of DECOSOL from June 20. He is managing director of Boydell and Jacks (Sales). Mr Brian Goddard has been promoted to the new post of operations director.

★

Mr Peter Jamieson is the new chairman of the BRITISH PHONOGRAPHIC INDUSTRY. He takes over for a two-year term from Mr Rob Dickins.

★

Mr Bill McGrath has been appointed managing director of WICKES BUILDING SUPPLIES, the Wickes group UK retailing subsidiary.

Legal Notices

**No. 003269 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF BRITISH UNDERWATER ENGINEERING LIMITED
AND IN THE MATTER OF THE COMPANIES ACT 1985**

Notice is hereby given that a Petition was on the 27th day of May 1988 presented to her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named company from £18,296,398 to £76,602, as to £7,880,906.92, by cancelling capital paid up or credited as paid up on the issued Preferred Ordinary Shares of £1 each to the extent of 99p per share, and as to £3,249,892, by cancelling capital paid up or credited as paid up on the issued Ordinary Shares of £1 each to the extent of £1 per share, by cancelling and extinguishing altogether 1,999,908 of the unissued Preferred Ordinary Shares of £1 each and 385,395 unissued Ordinary Shares of £1 each and by reducing the nominal value of 92 of the unissued Preferred Ordinary Shares to 1p.

And notice is further given that the said Petition is directed to be heard at the Royal Courts of Justice, Strand, London, WC2A 2LL, on Monday the 27th day of June, 1988.

Any creditor or shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Watson, Farley & Williams of Minories House, 2-5 Minories, London, EC3N 1BJ.

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Guestimating US trade

ANTHONY HARRIS
in Washington

HALF EMPTY or half full? That is the interesting question about the April US trade figures which will appear tomorrow. For as the OECD points out in its mid-year outlook, it is the markets which determine whether the US current account deficit is regarded as an investment opportunity or a potential world crisis.

It is difficult enough to detect the trend of US trade, but it is even harder to guess the market's attitude. The best known example of this difficulty is Stephen Marris's well-known predictions of a disastrous adjustment crisis as a result of the US deficit. He based his thesis on projections of the US deficit, and of the dollar exchange rate, which have so far proved almost uncannily good although the crisis he expected has not happened.

What he did not allow for was the fact that central banks, who are major market players, would in their own interests spend so much money on preventing a crisis. For all his years in the OECD in Paris, he is still British, and it is difficult to allow fully for how unimportant Britain is in the world scene. When there is a British crisis, even friends of the UK seem happy enough to let it stew in its own juice, and some less friendly countries gloat. A dollar crisis would be a crisis for the whole world economy, so we get managed adjustment instead.

Things could be different in 1988, however. The mere fact that we have got so far relatively smoothly has reduced foreign worries about the dollar. Indeed the two most supportive central banks, the Bank of Japan and the Bundesbank, might privately welcome a bit of trouble for the US. The Japanese have found it easier than they expected to live with a huge revaluation, and the Bundesbank has recently been unwinding some of its past dollar support. Both would like some room to raise interest rates for domestic reasons and dollar weakness would help.

The lame performance of Vice-President George Bush could also be bearish for the dollar. In the past the Japanese in particular were prepared to *spend a good deal of money to* prevent any financial embarrassment for President Reagan. He was seen as the one man able to keep the protectionists in Congress safely caged. Mr Bush does not look a promising Congress-tamer, even if the Japanese supposed that with their help he could win. Indeed, they may regard Governor Dukakis as a sounder fiscal investment.

This year, then, the judgment of the private sector markets may be as critical as Marris supposed it would have been before now, just as the OECD argues. *Left to themselves*, they would be unlikely to produce stability, as my colleague Samuel Brittan pointed out last week. If investors think the dollar is going to fall, they will refrain from investing, and so produce the result they fear. If they think it has fallen far enough, the returns on US securities will look so attractive that their investment demand could easily *swamp the current account deficit* and drive it up.

Foreign central banks are likely to limit any upward bounce, as they take the chance to sell excess dollar reserves at a *profit, as the Germans have* begun to do. This is a tricky business, though. If they try too hard and give investors the idea that the dollar will never be allowed to rise, they will leave nothing but downside risk, and *so create a market far more* likely to provoke a crisis.

In short, they should at least keep alive the fear that downside speculators could fall into another bear trap, as they did in January, but they cannot do even this without giving the world some frightening moments, and are unlikely even to try to prevent a correction if *the news is regarded as bad*. Which is where we came in.

What would be regarded as good news about US trade? One could simply say that the less the markets expect, the easier it will be to keep them happy, and leave it at that, but it is worth trying to go a little further. It is a fair working assumption that the markets are taking the OECD's projections as their own base-line, and looking for a fairly modest improvement this year, tending to taper off later.

What they may not have appreciated is the enormous margin of error in any projection at the moment. This is partly a matter of arithmetic. The new smoothed, revised and seasonally adjusted figures for US trade which appeared last week make it possible to calculate some reasonably reliable trends, and they are startling.

Imports have tended to grow at a bit under five per cent each half year, except for an acceleration in the period which led up to the Wall Street crash. Exports are quite a different story: over the two half-years up to March 1987 they grew in dollar terms by 1.6 and 3.4 per cent, but in the last two half-years have risen by 12.5 and 16.3 per cent. The OECD, which talks of a 70 per cent rise in manufactured exports over three years, evidently thinks that this rocket has some staying power.

Unfortunately it is very difficult to project the gap between an accelerating one and a flat or falling one. If you assume that the developments of the last half year are a picture of the future, the whole trade gap vanishes within another two years – and at least one Harvard analyst, Professor Paul Krugman, is expecting this to happen. Stretch the base period to a year, and the gap will take four years to close. On a trend starting two years back, US trade will still be in deficit for more than six years.

It all gets much more complicated when you bring in the rest of the economic picture. What is likely to happen to the US savings-investment balance, which is the mirror image of the current account? Can import prices remain as subdued as they have been until now, despite the huge dollar devaluation and in defiance of all precedent? Will the US investment boom, which is reliant on much imported equipment, stop the correction, or will it quickly improve US competitiveness still further?

I must offer at least a tentative answer and it leans to the optimistic. The consumer boom does seem to have slowed sharply – it is largely a reflection of the battle for car sales – and I would expect to see imports level off a bit (except from Japan, which provides the investment goods). Export order books remain promising, and import substitution is just beginning in earnest. All this implies that the trade gap should get reliably into single figures before long.

INTERVIEW

Shepherd from the south

John Wyles meets Italy's Prime Minister

WHATEVER may emerge from the World Economic Summit in Toronto this weekend and the European Council in Hanover at *the end of the month, there is* one novelty already guaranteed – the debut on the international stage of Ciriaco De Mita. He may be the third Italian Prime Minister in the last 12 months, but in a land which stamps them out in profusion, he is no ordinary politician.

Mr De Mita, a Christian Democrat and a southerner to his last adenoidal consonant, has held on to the leadership of Italy's dominant party for an unprecedented *six continuous years. Yet he* remains strangely anonymous to many Italians. The Italian version of the "Spitting Image" satirical television programme portrays him as a shepherd with a pious concern for his Christian Democrat flock.

But Mr De Mita is no country bumpkin and Italian journalists frequently quote Gianni Agnelli's description of him as "an intellectual from Magna Grecia" – the President of Fiat's elegant way of saying "he is a southern intellectual". This can imply a florid pattern of thought and certainly Mr De Mita's favoured approach to any question is to pull up its presumptive roots and then to examine it with meticulous, frequently long-winded, care.

Moreover, despite some ministerial experience in the 1970s, he has always seemed more a man of party than of government, excited by the broad brushstrokes of power rather than the chiaroscuro of policy.

Not without chagrin, he may soon be ready to acknowledge that the party must give way to government. He has said publicly that combining the party secretaryship *and premiership* is too fatiguing and that he will not stand again for the leadership when the party congress meets during the next nine months.

If he means this, then at least he is confident that his coalition will match the Italian post-Second World War governmental average of 10 months' longevity.

In advance of his appointments with the long-serving Ronald Reagan, Margaret Thatcher, François Mitterrand and Helmut Kohl, did he not feel that the turnover of prime ministers and governments tended to weaken *the Italian voice at summits?*

"Any government is weak which has a limited horizon, this is without doubt. It is difficult to establish relations at the top knowing that your interlocutor is temporary," says Mr De Mita in *quiet measured tones.* "But we have overcome this problem in recent times. The government which preceded me, headed by Craxi (the Socialist Party leader) lasted more than four years. This government has a horizon of 1992 and *while I don't know if* everybody will remain in their jobs, that is the political design."

In fact, there have been two governments since that headed by Mr Craxi. The first was a four month caretaker regime led by Mr De Mita's veteran party colleague Amintore Fanfani, the second a hapless, accident-prone administration led by his young protégé, Giovanni Goria, which ended in April this year.

Memories of the Goria Government cannot fade quickly enough for the Christian Democrats. The desire of some party barons to replace him as leader is only part of the reason Mr De Mita finds himself at the Palazzo Chigi. Equally important is the fervent hope of the entire party that a period with Mr De Mita in the driving seat will achieve a lasting improvement in its fortunes.

Wracked by years of scandal and internal division, the party's vote was brought to a post-Second World War low of 32.9 per cent in 1983. Then, Mr De Mita was criticised for fighting a campaign seen as vaguely *Thatcheriana* with its stress on fighting inflation and public spending discipline – an approach some thought out of character from a man identified with the party's left. *But left-right* labels are not particularly useful in understanding the Christian Democrats: for the last 20 years public spending in support of social populism has been the order of the day, and when Mr De Mita reverted to *these more traditional colours* last year, stressing family values and collective welfare, the party's vote modestly recovered, to 34.3 per cent.

Recent local elections, which suggest that Christian Democrat support is *now slightly above 36* per cent, appear to have given Mr De Mita new confidence in the future. Bettino Craxi, his great adversary, may dream of overtaking the Communists to build a "left alternative" and consigning the Christian Democrats to opposition, but Mr De Mita counsels against premature obituaries.

"This government is stable and durable. I would not say eternal because the legislature lasts only *five years.*" And the *future of his* party? "There is a discussion whether the party, which has been in government for a long time, can go on governing or should go into opposition. I predict that the Christian Democrats will govern this country for some decades – no I am joking." He was not, but he was smiling.

Now installed in the Chigi, Mr De Mita is involved in careful image-building, in which his meeting with Ronald Reagan in the White House on Tuesday and the subsequent summits are an essential part. Mr De Mita's public statements, a staple of TV news before he became Prime Minister, are now infrequent and aimed at maximum political impact. Interviews such as this are carefully rationed by aides – who are inordinately curious as to what will be written.

Given his total lack of ministerial experience in foreign affairs, Mr De Mita has crammed the past seven weeks with briefings and meetings with other leaders (such as Mr Kohl, Mr Takeshita and *Mr Mitterrand). As a result,* he is approaching the summit with songs to sing on all the key issues.

Monetary co-operation between the top seven industrial countries is already producing results, he says – the worst effects of last October's crash have been avoided, "or at least contained" – and must be further strengthened. West Germany must do more to reduce its trade surpluses with the US and other European countries. Happily, Mr Kohl had recently given Mr De Mita the impression that "he does not intend to withdraw his country from its responsibilities."

In conversation, the European Community's future development and its 1992 deadline come across as De Mita's preoccupations. His government's domestic programme is based on the need for reforms "to keep us in Europe" – making the political institu*tions and* public administration more efficient and bringing the public deficit and total indebtedness under control by 1992.

His view of the EC's political future is more realistic than traditional Italian rhetoric on the subject. *He is convinced of the* necessity of moving towards political union and says "my opinion is that stronger political co-ordination could come from a European military grouping." At his meeting with Mr Kohl last month it was agreed to study Italo-German defence co-operation more closely.

He discounts fears that European military co-operation might weaken the American commit*ment to European defence.* "It is overdoing it to link the two," says De Mita, "because the US's solidarity with Europe requires a greater European commitment, not on quantity but on co-ordination and behaviour." Here he stresses that the Italian credentials are *impeccable*, having accepted the deployment of intermediate missiles, now removed under the recent Soviet-American agreement, and recently, the deployment of 79 US F16 fighter bombers which are being forced *to move out of Spain.*

The Communists and parties to their left are breathing hard on the permanent embers of Italian anti-militarism to stoke up popular opposition to this decision. They will not succeed in over*turning it, but the attitude of the* Communists in particular to the domestic reform programme could be more crucial to De Mita's ambitions.

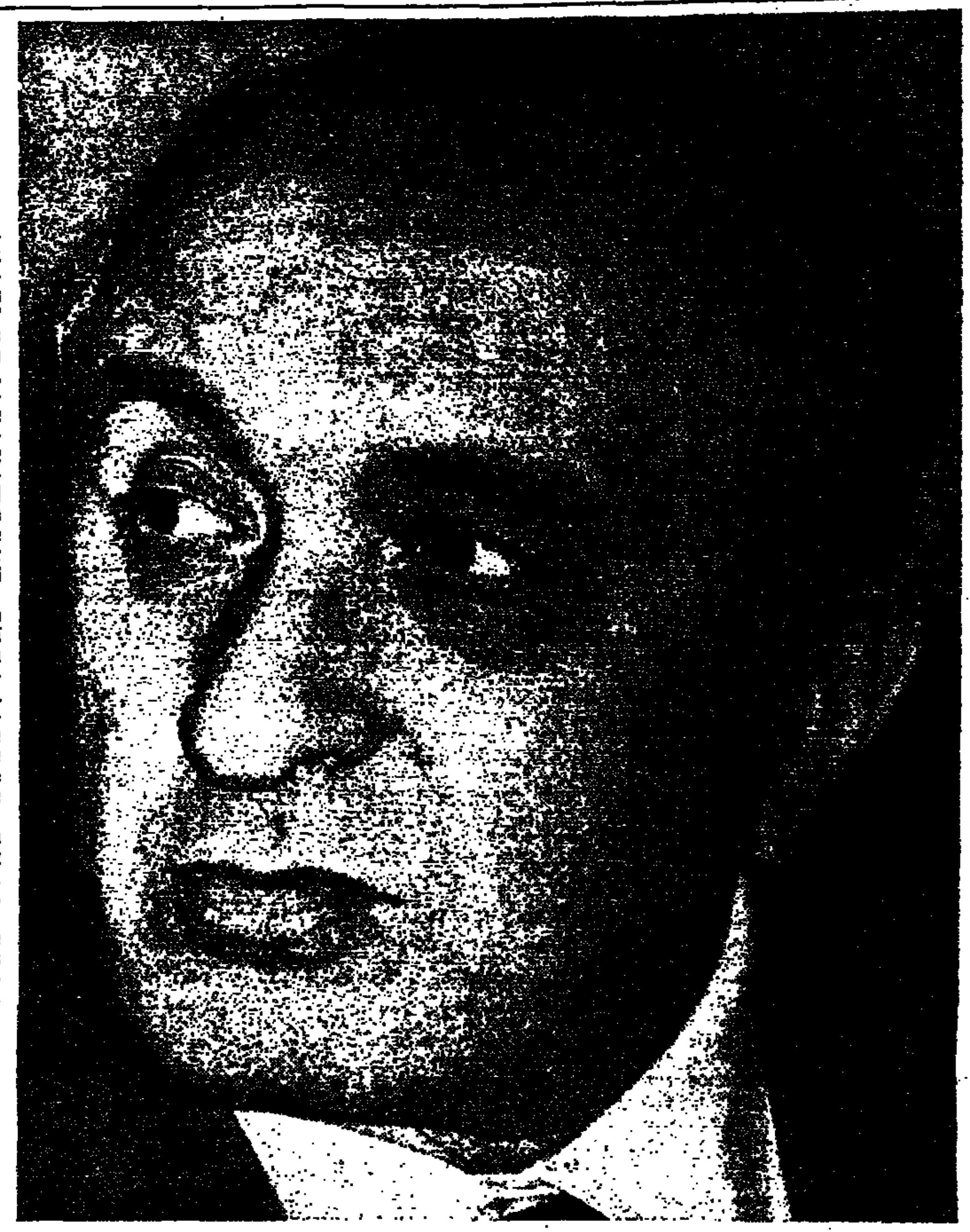
He says he sees no opposition "in principle" but admits to being worried "about the structure of government and the institutions we have." In a real sense, parliament and the bureaucracy are required to reform themselves and if they fail to do so, the exercise of reforming public finances will almost certainly founder.

"It will be difficult with the mechanisms we now have but the priorities are to make the parliament work properly, to give stability to the government, to *re-order the powers of local* authorities, to modify the public spending mechanisms and not just to adjust the public accounts, but also to bring them under control."

But has the world not heard much of this from Italian governments before? Does the political will to realise change really exist? "This government is founded on an agreement between the parties to make the changes we have agreed. I must believe the will exists." But will the parties really support reforms which hit their powers of spending and patronage – particularly his own which could have written the Tammany Hall handbook on the subject?

In fact, says Mr De Mita, such is the level of complaint about public administration and services that it is difficult to find a satisfied clientele in Italy. "The interests which may be affected by this programme are *quite* general and touch all parties, not just one. Seeing that the mechanisms do not work, citizens want, on the one hand, to preserve them because they confer certain privileges and on the other, they complain because they are not working."

So, the campaign upon which *he is embarked is to persuade* Italians that gains in public efficiency will outweigh loss of politically mediated privilege. He says he is prepared to struggle against public sector workers and any others who try to block his path. Since these will include sections of his own party, the contest will be an absorbing one.



● PERSONAL FILE

- **1928:** Born, Nusco; took a degree in Jurisprudence at the Catholic University of Milan
- **1963:** Began career as MP
- **1974:** Minister for Industry
- **1976:** Minister for Foreign Trade
- **1978:** Minister for Mezzogiorno
- **1982:** Secretary of Christian Democratic Party
- **1988:** Became Prime Minister

Making the process fit man

JUSTINIAN

A BESETTING but forgivable sin of the English legal profession has been its devotion to the principle that the legal system should aim at perfection in its practices and procedures for litigation in the High Court, irrespective of the cost. Belatedly, the Civil Justice Review (published last week) has at last grasped the nettle of change by proposing some more or less radical reforms of civil litigation.

What are the peculiar characteristics of our system which appear to account for its relative perfection as they explain its relative costliness? The most striking feature of the system is excessive centralisation. For small claims there has been some devolution of jurisdiction to county courts and to informal tribunals. The small claims procedure is to be enlarged and the County Court is to have its jurisdiction greatly extended, with a top financial limit of £50,000, and organised in two tiers.

The Civil Justice Review had, after hostile criticism of its earlier consultation document, abandoned the idea of merging the High Court with the County Court. The coterie of High Court judges will be preserved for dealing with those areas of legal dispute that call for the highest judicial qualities, freeing the judges from mundane disputes over personal injury cases and the like which occupy so much time.

A second characteristic which has undergone some change in recent years is the contentious nature of the legal process. The obligation lies on the parties to a dispute of proving their respective cases. Judges and court officials are not inquisitors, charged with making inquiries, but are merely there to adjudicate upon the material presented. The principle of party control within our system is modified only in a few instances, such as wardship for the protection of children. Any review of civil justice needs to accommodate all facets of human disputes.

Allied to this is the oral aspect of court hearings. In the High Court great emphasis is placed on distilling the points at issue by an exchange of written statements and of arming the rival disputants by, for example, enabling them to gain disclosure of documents. But it may be necessary to produce witnesses to prove that the documents are what they purport to say; in general their contents are not admissible as proof of the facts stated, except against the maker of them.

The time spent in requiring personal attendance of witnesses and taking oral testimony is recognised as capable of substantial modification. The recent development of judicial review, conducted almost entirely on evidence in the form of written affidavits, has demonstrated the ability of the system to dispense with much oral evidence.

One characteristic above all which is engrained in the system is the idea in England that man is made for the judicial process and not the judicial process for man. Too often in the past the idea has prevailed that, in providing the machinery of justice, judges are there as symbols of the judicial power of the state and as ceremonial enhancement of judicial dignity and prestige. The impression left in the minds of litigants is that everything is adapted to suit the convenience of the courts and far too little is done to meet the convenience of all the other participants in the process.

One marginal issue suffices to make the point. Traditionally reserved judgments are read out in full by judges, thus absorbing precious court time. When Lord Donaldson became Master of the Rolls he instituted the practice in the Court of Appeal of having all written judgments handed down. Indeed, he went further and allowed counsel, solicitors and the parties to have advance sight of judgments on an embargo basis. This welcome attention to the needs of litigants has not been adopted in the Queen's Bench division of the High Court.

To add to the irritation, the law reporters are often supplied with typed copies of a reserved judgment delivered orally, and the parties are left to await the production of the authorised version from shorthand writers. The practice deserves abandonment.

Above all there is a need for both individuals and groups of individuals to be able to come to court and complain of infringements of the law, for there is in contemporary society much law which exists to protect the public interest and not just the interest of a particular member of the public.

Where the infringement of the law is alleged against a public authority, the new procedure of judicial review is capable of meeting the need and does so with increasing success. But what about infringements by a "private" body? Unless the complainant can allege that he has suffered personal loss or damage, he can only proceed with the leave of the Attorney General for relator proceedings.

The activity by powerful groups of people or private bodies may or may not be criminal in nature. Which leads one to say that the Lord Chancellor should now establish a criminal justice review to determine how best the legal system can cope with the wide range of criminality and social irresponsibility.

ARTS

The Cunning Little Vixen

Andrew Clements

David Pountney's rich staging of Janáček's most elusive opera achieved wide currency when it was first seen as part of the Janáček cycle shared between Welsh National and Scottish Operas. It has now been brought into the English National repertory, taking over wholesale Maria Björnson's designs and making good what the wear and tear of touring had wrought upon their fabric, but almost entirely recast from ENO ranks.

It provides still a bewitching, perfectly realised evening. The work's interlocking worlds of man and nature and its cycles of continuous birth and decay could so easily be turned into a sickly sweet confection of anthropomorphism, yet that trap is almost entirely avoided. Taking his cue from the total absence of sentimentality in Janáček's music Pountney's conception preserves that cool objectivity, though cuteness is not as absolutely purged in this incarnation as memory suggests it was when Helen Field sang the title role for WNO.

Her successor here, Anne Dawson, is ebullient, vocally agile, and expresses the trickey side of the Vixen's character perfectly, but she misses something of the fierce independence and feminity that Field brought to the role, and which acted as such a precise foil to Pountney's busily inhabited stage pictures. A fetching succession of foxcubs becomes just a little too fetching when their mother is not such a strong personality in her own right, while the courtship scene of the second act with the Fox (Rita Cullis, here, nicely balanced between vulpine machismo and caddish opportunism) seems now just fractionally too comfortable.

This is a small cavil, though, in a production whose essential elements are generally held in very precise opposition. The cameos are just as vivid as their Celtic counterparts – a splendidly stupid corps of hens and strutting Cock (Alan Woodrow), vaguely priapic Dog (Christopher Booth-Jones), and truculent Badger (John Tranter) – and the central roles from the human sphere are likewise excellently delineated. One recognises the outlines of Norman Bailey's Forester in several of his other ENO portrayals – there is more than a hint of the *Hansel and Gretel* Father in him for instance – but it is a generous, fundamentally fallible portrait which handles the difficult closing scene with an easy touch.

Both Terry Jenkins' Schoolmaster and Arwel Huw Morgan's Parson are finely drawn; indeed the whole of that facet of the story, of the three men in middle age all hankering after the unattainable eternal feminine in the person of the unseen Terynka, who eventually marries the poacher Harašta, emerges more cogently here than perhaps it did before. But every detail in this epigrammatic opera is made to register most memorably, and Mark Elder's control of the score, confidently idiomatic, naturally paced and marvellously realised by the ENO orchestra, binds its sharp-edged sequence of images securely together. For those who have not sought it out before, then, the arrival of this *Cunning Little Vixen* at the Coliseum in London is not to be ignored.

Don Carlos/Bologna

William Weaver

Though Bologna's Teatro Communale has gone through some changes of management in the past couple of seasons, it has maintained its position as one of the most intelligent and most reliable of Italian opera houses. The high point of the season has been an elaborate presentation of Verdi's *Don Carlos*, which is now concluding an exceptionally popular series of performances.

This *Don Carlos* well deserves its success, for a number of reasons, nearly all of them musical. First, there is the edition. Without going into the tortured textual history of Verdi's masterpiece, suffice it to say that the Comunale chose to present, essentially, the "Modena" edition: that is to say, the five-act opera, in Italian, without the ballet. But to this version, the Bolognese added some of the newly-discovered pages, bits Verdi cut from the score on the eve of the Paris premiere in 1867. This makes a long evening (my performance began at 7pm and ended shortly before midnight); and it meant that the theatre must be able to assemble a group of robust singers and, to guide them, a conductor with a firm grasp of the musical architecture of the piece.

Myung-Whun Chung – as his *Simon Boccanegra* at the Met two years ago indicated – is an excellent Verdian: concise, but not hasty; personal, but not quirkish. He does not impose himself on the score, but allows it, and the singers, to breathe naturally, to live and swell and unfold. The tension never sags; and there is a welcome rightness about the whole reading.

Ruggero Raimondi has been singing the role of Filippo for almost two decades; and he has by now made it thoroughly his own. His monarch is younger than some of the great Filippos of the past (Christoff, Rossi-Lemeni, Siepi); here is a husband who suffers physically the rejection of his young wife. His loneliness is also deeply felt in the first scene with Rodrigo; in Bologna the shifting moods, the subtleties of this strange dialogue were beautifully rendered.

Raimondi had an excellent foil – and Carlos a convincing friend – in the young baritone Paolo Coni, a Bologna discovery, an engaging artist clearly destined for a distinguished career. Personable, graceful, he has a warm voice, an easy range, excellent enunciation.

In the apparent absence of any direction from the producer Andrei Serban, the singers presented their own views of their roles. This was fine in the cases of Raimondi and Coni, but with some of the other interpreters, the lack of counsel provoked either hamming (the uneven tenor Antonio Ordonez, as Carlos) or abstraction (vocally, Giovanna Casolla was a stirring Eboli; as an actress she was dignified but generic). The Grand Inquisitor at my performance was Oddjorn Tennfjord, whose resemblance to Winston Churchill enforced the authority of his characterization.

The Elisabetta of Aprile Millo was grand, opulent, attuned to the rest of the cast. This is not to say that she did not sing with sensitivity, especially in the last act; but it was sometimes hard to believe in her fragility.

Serban's production does not deserve much space: the *Auto-da-Fè* was a mess (all the musical suggestions were ignored or misread); Filippo was made to study Carlos's portrait *before* the Queen appeared, so its later revelation had no impact, and so on. Yannis Kokkos designed adequate costumes and ridiculous sets (the old monk, or Charles V, arrived in a dumb-waiter). But the music was so powerfully presented that visual horrors passed almost unnoticed.

Grappelli at Barbican

As part of the *Images de France* festival at the Barbican in London, jazz violinist Stéphane Grappelli will play on Thursday June 16 at 7.45pm, accompanied by guitarists Martin Taylor and Marc Fosset and bassist Jack Sewing.

John Simpson's imaginative new plans for Paternoster Square

Architecture/Colin Amery

In the shadow of St Paul's

Tomorrow a small exhibition which should be of enormous importance to the future of the *City of London opens* in the crypt of St Paul's cathedral. The Mountleigh Group, now sole owner of some 4.3 acres of the Paternoster Square development site to the North East of St Paul's, has commissioned Arup Associates, winners of the Paternoster International Competition (held when the site was in different ownership) to continue working on the Master Plan.

There was enormous public concern last year about the future of this site, although at the time the public did not have the chance to see anything of Arup's proposals. It is partly to rectify this that this exhibition, *Paternoster Work in Progress*, has been arranged, but I think the public will be disappointed again because there is so little to see.

Arup Associates, in the shape of Sir Philip Dowson, Mr Peter Foggo and their colleagues, has been working on an masterplan for the area, but at this stage is only presenting "a master plan to establish a framework for future development. It will not determine the detailed architectural design of all the buildings but will require different architects to be involved over a number of years." Therefore the public will be invited to comment on something that takes a good deal of visualising.

I hope the spirits of the artists who inhabit the crypt – Turner; Van Dyck; Alfred Gilbert; the great history painter James Barry "who ennobled, sanctified, and adorned all his works;" and Lutyens, whose ashes lie there – will be sending messages to the architects and developers who are struggling with the land around the cathedral. What is involved – and I hope they realise it – is a rescue operation. *This is the famous second chance* that the Prince of Wales referred to last December: a chance to remove the eyesores of the 1960's and to add to the public realm around the cathedral. The architects might also look at the struggles Wren had, all of which are well displayed in an exhibition around his great oak and limewood model – and what a glorious thing it is.

The object of the exhibition is to inform and consult the public before the presentation of a final master plan in the autumn. The number of square feet of offices and shops asked for in the original competition brief, 1,150,000 sq ft, is now to be spread more thinly over the whole seven acre site (the 4.3 acres belonging to Mr Tony Clegg of Mountleigh, the remainder to a variety of owners). A framework will be developed from the Arup masterplan to show how this area of largely commercial building can be accommodated within the height restrictions imposed by the proximity of St Paul's. Four storeys is considered appropriate near the cathedral, eight further away.

New elements in the masterplan include the creation of a new cathedral Close incorporating a ceremonial area, a quiet transept garden and terrace on the north side of the cathedral; a new pedestrian route linking Cheapside and Ludgate Hill – in fact the entire ground level of the site will be pedestrian; and the roof level landscaped as terraces and gardens (always a substitute for a good architectural treatment of the skyline this . . .)

What, you may well ask, is new about all this? The answer is very little. What we see is a seed to prompt ideas and discussion; what we do not see are the *strange commercial and development* facts about those interested in this site. I would guess Mr Clegg of Mountleigh plc will not develop this site. He is not a builder. He will probably sell it to one or both of the larger developers who have already shown interest in the site.

All this means the outline Arup proposals are ideas that will pass away. The meaningless Paternoster Committee – headed by Lord St John of Fawsley and with representatives from the City Planners, English Heritage *et al* – is also a phantom equipped with a bucket of whitewash. The public do, however, have a chance to make their views known.

Space has been made in the exhibition for some history of the site. (Why not just build the Hawksmoor proposals and have done with it?) There is also a rival proposal, which will win all the public votes. This plan is by the classical architects John Simpson and Partners to meet a new brief prepared by Dan Cruickshank (he of London The Art of Georgian Buildings) and Leon Krier (theorist and classical propagandist).

This proposal cannot just be ignored. Cries of pastiche will be heard, but Simpson and his team claim their scheme is viable. It relates brilliantly to the cathedral, and what is more important than that? It has been submitted for planning permission, and deserves all the discussion it can get. Its architectural quality is hard to determine, but I suspect it may bring a smile to the death mask of Sir Christopher Wren, also in the crypt.

Paul Bunyan/Aldeburgh Festival

Max Loppert

The "American" Britten and the music of Alfred Shnitke are two of the themes of the 41st Aldeburgh Festival. The high point of the opening weekend was certainly Saturday's performance of *Paul Bunyan* at the Snape Maltings – a concert with delightful outcrops of semi-staging (a potentially embarrassing business almost completely mastered here by the careful use of hats, props, entrances, and lighting).

The solo voices and conductor, Philip Brunelle, came from the Plymouth Concert Series belonging to the twin cities of Minneapolis and St Paul, Minnesota, where this Britten work was recently put on with huge success (they are the performers on the new Virgin Classics *Paul Bunyan* recording). The English Chamber Orchestra and Philharmonia Chorus provided the English element; the happy meeting of national forces was a subsidiary part of the pleasure of hearing again the Britten-Auden American operetta, a work of quite special charm, freshness, and musical distinction.

Paul Bunyan was first given in New York in 1941, then set aside and forgotten until Britten permitted its revival in the mid-1970s (in a useful new libretto book, published by Faber, Donald Mitchell's afterword traces the stages of creation and rediscovery). It is of crucial importance as Britten's first essay in lyric theatre, and as final product of the Britten-Auden collaboration (the composer returned to England, the poet stayed in the US). Because it is such an intensely enjoyable work, there is no need to hunt out paths from the past and into the future if one prefers not to. But recognition of signs and portents – harmonic devices and instrumental combinations here trademarked for future operatic development – only add to one's amazement at the completeness of Britten's operatic gifts in this their first exercise.

The knack of finding the right melodic gesture, the very harmonic pattern that will sum up a moment or set a dramatic idea in motion, put me more than once in mind of the young Bizet (the blend of food-fantasy and absurd operatic parody in the Cooks' number has the same hilarious exactitude as Bizet managed in his Omelette Quartet in *Le Docteur Miracle*). The ability to scale numbers small or big according to their required weight and position means that both the comic and the serious episodes achieve their due. The simple (but subtly varied) open-landscape musical language is extraordinary – Wilfrid Mellers has justly called this work Britten's "American idyll."

Why *Paul Bunyan* failed is nevertheless easy to discern. Auden's wonderful way of balancing portentous concepts and pin-pricking irony led him to phrases that read better than they sing (it was a good idea to test out in this concert the long-word Love Song for Johnny Inkslinger that Britten discarded, but his reason for doing so was proved to be a good one, since the jokes are difficult to catch).

And the subject matter is enough for one act, not really sufficient for two – an operetta-pageant, however skilfully shafted with wit and irony, is an awkward proposition to sustain on stage. This concert presentation seemed to me one way of tackling it, especially since the voices were all of apt quality, lightly musical and theatrically alert, and the accents and manners were bluff with just the proper degree of send-up. I imagine this performance will have won many buyers for the new recording; a shame this *Paul Bunyan* is not being repeated at the 1988 Proms.

Between The Lines/Watermans Arts Centre

Claire Armitstead

Allan Cubitt's second play dealt sparely and squarely with the internment and torture of an Ulster poet; his first, an overlong wartime epic with a cast of 17, rounds off a season of new writing fostered by Bristol Express with a treatise on the upheaval of 1914-18, as it affected both the "heroes" stripped of their virility by bullets not necessarily from enemy guns, and the women who lightened the toil of the munitions factories by stuffing *billets doux* into cartridge belts.

It is nothing that hasn't been said before, and certainly, unlike *Winter Darkness*, there is a strong sense in *Between the Lines of a* first time playwright more concerned with ways of saying things than with the things he has to say. The play is structured episodically with two time scales, *allowing designer Michael* Vale to make imaginative use of the broad sweep of stage at Brentford's Watermans Arts Centre. At the front of it, the injured troops recover from their wounds over an eight-week period, while behind them their families have four days to prepare for their homecoming.

Thus, Liz savours her last nights with her factory foreman lover and begins to agitate for a union of women workers, while her soldier husband languishes in a wheelchair in a military hospital in Belgium. Her newly widowed sister, Nance, consoles herself with regimental letters of commiseration, forgetting that her husband's final present to her was a bad dose of clap.

Whereas the home team are *somewhat* sketchily defined in terms of civilian activities and preoccupations, some of the ward scenes show Cubitt's writing at its most forceful, aided and abetted *by direction from* Andy Jordan which erupts into strictly controlled explosions. Draped with Union Jack bunting and dragooned into patriotic poses for the folks back home, the sick and the halt disrupt an official photo session with an impassioned rendition of "I don't want to join the army." In a moment the scene pivots from the grotesque comedy of an amputee trying to keep his balance for the cameras to a collective animal snarl of long pent-up frustrations. But there is tenderness, too, in the classless companionship of soldiers and nurses – and a sense of calm before the storm of integration

The performances are understated as they have to be to accommodate a situation so ripe with melodrama – drawing some touching ensemble playing from the lads. Although it seems churlish to discriminate, Adrian Hardwicke and Ben Foster spring to notice as the gentle paraplegic *and the stubborn Cockney* amputee in a play, by an extremely able writer, the parts of which are too great for the whole.

Nelson Mandela Concert/Wembley Stadium, BBC 2

Antony Thorncroft

It was a very big party. Over 70,000 people made it to Wembley and 200m more around the world popped in through their television sets as the conscience of the music world paid its tribute to Nelson Mandela as he approaches his 70th birthday in a South African prison.

Pop and politics mix about as comfortably as petrol and milk bottles, one being ephemeral, the other immutable, and although every artist on stage made his and her personal tribute to Mandela the best presents were professional performances rather than the ranting of slogans. So Derek B rapping out "Free Mandela" was a pain while Mark Knopfler gliding Dire Straits through a selection of greatest hits as the finale was a charm.

There was an appropriate low key comment from Knopfler that the band was glad it had had an album banned in South Africa but for the rest it was extended versions of global anthems like "Sultans of Swing", with Eric Clapton helping out on guitar.

Clapton's own "Wonderful Tonight" was a highlight of the 10-hour show – not perhaps politically correct but what better birthday gift than a sentimental love song?

There was a welcome lack of posturing throughout, even though some of the ironies of the occasion were inescapable. Clapton has been pilloried in the past for some frank words about race; Dire Straits has been criticised for intellectual blandness, and, even worse, outrageous commercial success; while Whitney Houston has been drubbed in the press because she sings songs rather than makes political speeches on behalf of black people.

But, like the rest, the girl came good, wrapped up against the hostile weather in gloves and jacket and treating it all like a lot of fun and an opportunity to sing gospel to a fundamentalist audience.

There were performances of real passion, notably from Peter Gabriel, with "Biko", and Little Steven, the most politically committed American artist, who rammed home "Sun City Soul", his attack on artists who perform in that South African Vegas, with an energy and wild eyed drive that sent a current through the motley crowd.

The surprise guest was Stevie Wonder, whose appearance was delayed because some of his equipment had been filched (personal morality does not always accompany political solidarity). When he did appear he caught the mood of the event perfectly with "We just called to say we love you (Nelson)", which, with a chorus of 70,000, was the most heart-warming moment of a cold June night.

The television coverage erred on the pretentious. There were some tricky gimmicks, like guitars and saxophones disappearing from the hands of musicians to appear as TV visuals, and rather too many shots were taken from Outer Space. But the climax, with Jessye Norman singing "Amazing Grace" with full lungs and silencing the yob element which had come to Wembley for the wrong match, was simple, effective, and sobering, suggesting, at least for Saturday night, that good intentions are enough to change the world.

She Stoops to Conquer/Leeds Playhouse

B.A.Young

Goldsmith's veteran comedy depends very much on its familiarity for its popularity, and John Harrison's production at the Leeds Playhouse stays firmly within the received areas. Even the "asides" are spoken so that no one else on the stage knows that anything is said, even when it is spoken in the middle of a sentence.

If novelty is desired, there is a *short scene to illustrate the prologue*, a couple of pierrots solacing the dying spirit of comedy, and the act is brought back into the final dance, after the "mistakes of a night" have been forgotten or forgiven. It is played before a drop-curtain, and when we are ready for more serious drama, the curtain rises and Mr Hardcastle's "old rumbling mansion" is brought on in two halves, one from each side, to meet and form a pleasant hall which is later turned into an inn by reversing a couple of panels.

Peter Birch's Marlow is admirably two-faced, so lost for speech when he first talks to Kate that a twiddle of the fingers will do as well as words, yet as arrogant as may be when he believes her to be a barmaid. He is particularly good at bewilderment, an expression the play is pretty rich in. Kate is more than his match, pretty and imperious in her "quantity of superfluous silks,"

They are partnered by an equally convincing Hastings and Constance from Stephen Simms and Lia Williams, who indeed have rather more opportunity to show off their gentlemanly dishonesties. Tony Lumpkin, a well-fed figure in a smart flowered waistcoat embroidered for him by his silly mother, goes through all his tricks as if he truly meant them. I confess I was not surprised when Hardcastle admitted that he really was of age.

John Dunbar is a dignified Hardcastle, who retains an amazing courtesy when Marlow behaves so outrageously, and Linda Polan is wonderfully foolish as his wife. The production keeps astutely to the rules without ever flowing over into boredom.

Saleroom/Susan Moore

Tempting wares

Collectors of English ceramics should be armed with their chequebooks on Tuesday, with both Sotheby's and Christie's offering *tempting wares. The Pitt-Rivers* Museum in Dorset has consigned to Sotheby's a lively group of rare Staffordshire press-moulded slipware chargers. One, a hith*erto unrecorded piece of around* 1690 depicting a goggle-eyed William III with sword and sceptre aloft, despite major repairs, is expected to realise £30-40,000.

From another collection comes a royal portrait charger in London Delftware featuring Charles II recoiling from his grimacing bride, Catherine of Braganza. *Painted in deep cobalt-blue*, with a decorative border of Italianate grotesques, it is an extremely pleasing piece (estimate £20-30,000). An ever more substantial *estimate (£40-60,000) accompanies* a pair of Staffordshire white saltglaze pew groups, c1745, which are to be auctioned separately.

In the evening, the personal *collection amassed* over the last 30 years by New York dealer Price Glover goes under the hammer at Christie's (not literally, one hopes). Unusually, almost *the entire field of English* ceramics from the mid 17th century to 1800 is represented in this remarkably interesting – but not outstanding – collection.

Among the rare items are a crisply moulded Staffordshire bowl depicting The Seven Champions of Christendom (estimate £6-8,000), a Delft plaque of Queen Anne (£12-20,000), and a Staffordshire creamware figure, Whieldon type, of Colly Cibber (£15-20,000).

Christie's Japanese works of art sale on Thursday incorporates one of the best group of prints that saleroom has seen for some time, some 90 per cent of which come from private sources. *The prize item is a beautifully* composed design by Eishi (1756-1829), of three courtesans whiling away their time in front of a six-fold landscape screen. *Especially large, (it is unusual to* get a cherry wood block as big as 50cm), the print is also one of only three known impressions. Although not in pristine condi*tion, a figure of around £10-15,000* is anticipated.

There are also three major examples of kakiemon, including a rare kiku-shaped vase and cover, *influenced by European* porcelains, which bears a scattered design of floral sprays and insects. It carries a tag of £20-30,000.

New York sees the lavishly packaged sale of the gold and silver, jewellery, artifacts, coins and navigational instruments recovered from two Spanish galleons *sunk off the Florida Keys* in 1622. Billed as "a glittering evening event," it will offer treasure trove as glorious as the 66in-long Renaissance gold chain (estimate *£200-250,000)*, as well as more workaday plate of great historical interest. Perhaps the most beguiling work of art on offer this week can be found in a Christie's Old Master paintings sale in Monaco on Sunday. It is an exquisite pencil drawing by that superb draughtsman Ingres, of Madame Victor Baltard and her young son, executed in Rome in 1836. Christie's expect this much published drawing, one of the artist's finest, to realise around £200,000. That would be a snip for such a gem.

Arts Guide

June 10-16

MUSIC

LONDON

Philharmonia Orchestra conducted by Kurt Sanderling with Howard Shelley, piano. Mozart and Shostakovich. Royal Festival Hall (Mon). (928 3191).

City of London Sinfonia with John Wallace, trumpet. Handel, Albinoni, Mozart and Haydn. Barbican Hall (Wed). (638 8891).

Academy of St. Martin-in-the-Fields *and chorus conducted by Sir Neville* Marriner. Handel, Tippett and Mozart. Royal Festival Hall (Thur).

London Mozart Players conducted by Jane Glover with Stephen Bishop Kovacevich, piano. Dittersdorf, Mozart, Patterson and Haydn. Queen Elizabeth Hall (Thur). (928 3191).

TOKYO

Seiji Ozawa conducts the New Japan *Philharmonic Orchestra playing* Mozart and Beethoven. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (Mon); Orff's Carmina Burana, Tokyo Bunka Kaikan (Wed). (499 1531).

Staatskapelle Berlin, conducted by Otmar Suitner. Mozart, Beethoven, Brahms (Mon), Mozart, Beethoven, Weber (Tue). Suntory Hall (235 1661).

Ruggiero Ricci (violin), Japan Phil*harmonic Orchestra, conducted by* Jiri Belohlavek. Mozart, Bach, Mendelssohn. Suntory Hall (Wed). (234 5911).

Cristina Ortiz (piano), NHK Symphony Orchestra, conducted by *Leonard Slatkin. Mozart, Sibelius.* NHK Hall, Shibuya (Wed, Thur). (465 1781).

Wiener Kammermusiker. Mozart, Schubert. Tokyo Bunka Kaikan. (Thur) (496 0859).

PARIS

Hermann Prey recital, with Leonard Hokanson, piano. Théâtre de L'Athénée (Mon). (42.30.15.16).

Ensemble Orchestral de Paris, conducted by Emanuel Krivine, with Augustin Dumay, violin, playing Mozart. Salle Pleyel (Tue). (45.63.88.73).

Yo-Yo Ma, cello, Emmanuel Ax, piano. *Beethoven sonatas.* Théâtre des Champs Elysées (Tue, Wed). (47.20.36.37).

Les Arts Florissants, conducted by William Christie, with Charpentier's David and Jonathan in concert version. *Paris Opéra* (Tue,Thur). (47.42.57.50).

Orchestre de Paris, conducted by Erich Leinsdorf, with the Orchestre de Paris choir conducted by Arthur Oldhas. Brahms's German Requiem. Salle Pleyel (Thur). (45.63.07.96).

Organ Concert, with the Radio France choir conducted by Michel Tranchant, playing Schmitt, Pierne, Vierne. Madeleine Church (Thur). (42.30.15.16).

ITALY

Rome. Georges Prêtre conducts Beethoven at the Auditorium in Via Della Conciliazione (Mon, Tue). (6541044).

NETHERLANDS

Amsterdam. Karlheinz Stockhausen directing a concert performance of his Montag aus Licht, with the Zaans Cantata Choir and the Radio Budapest Children's Choir conducted by Peter Eotvos, Janos Remenyi and Jan Pasveer, with the Netherlands Opera Choir and soloists June Card and Heinz-Jurgen Demitz. Concertgebouw (Mon).

Amsterdam. Schönberg Ensemble conducted by Reinbert de Leeuw, with Arleen Auger, soprano; Berg, Webern, Schonberg. Recital Hall (Tue). (718 345).

Amsterdam. The Netherlands Philharmonic Chamber Orchestra play Haydn and Brahms. Beurs (Stock Exchange, Damrak), Thur. (27.11.61).

The Hague. The Schönberg Ensemble, conducted by Reinbert de Leeuw, with Arleen Auger, soprano: Berg, Webern, Schönberg. Koninklijk Conservatorium (J. van Stolberglaan 1), Wed. (814 251).

NEW YORK

Juilliard String Quartet, with Mahler, Babbitt, Janacek. Kaufmann Hall (Tue). (996 1100).

Hilesh Wind Trio, Mozart, Bach Rossini, Gershwin. Juilliard Concerts at the IBM Garden Plaza, 56th & Madison (Wed 12.30 Free).

Philadelphia Orchestra, with Yuri Tenirkanov conducting, André Watts piano. Britten, Shostakovich, Rachmaninov. Carnegie Hall (Wed). (247 7800).

New York Chamber Symphony, with Luciano Berio conducting and Mark Hill on oboe. Maderna, Berio, Corale, *Manzoni. Kaufmann Hall* (Thur). (996 1100).

CHICAGO

Chicago Symphony, with Leonard *Bernstein conducting Shostakovich.* Orchestra Hall (Thur). (435 8122).

FINANCIAL TIMES

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Monday June 13 1988

Ordering the land supply

THE COMBINATION OF rapid economic growth and tight planning regulations in south-east England was bound to cause chronic excess demand for housing and land. The shortage seems to be getting steadily more acute: each week brings fresh news of a local clash between developers and conservationists.

In theory, there are two ways to tackle the imbalance: reduce the demand for land or increase its supply. Conservationists claim with some justice that the Government is willing to recognise only the second option. It will not, for example, consider scaling back the excessively generous tax reliefs which artificially boost the demand for houses.

Nor, to the fury of the green lobby, will the Government contemplate a more aggressive regional policy. The free market Adam Smith Institute argued last week that there is "nothing novel or extraordinary in changes in regional fortunes." Prior to the Industrial Revolution most of the UK's population lived in the south – it was the availability of coal for steam power which pulled industry north. It does not regard the reversal of that trend as the economy becomes more dependent on services and high-tech industries as a legitimate cause for concern.

Restricted options

In reality, however, the options at the end of the 20th century are somewhat more restricted than during the onset of industrialisation. There is much less unspoilt land and many more people. Two centuries ago, the move towards the uncongested north made both economic and environmental sense. The move south today seems ill-advised on both accounts: industry ought to thrive where land and labour costs are relatively low, while society ought to place a higher value on the countryside in areas where it is relatively scarce.

That said, the Government also has to find a way to satisfy some of the rising demands for building land in the south-east. The Adam Smith Institute points out that much of the green belt around London consists of inaccessible wasteland, disused gravel pits and so forth. It suggests that developers be allowed to build on such damaged or derelict land provided that, for each 10 acres consumed, they restore a further 80 acres to pleasant greenery. Such a policy, says the institute, would increase the amount of land available for recreational purposes, at no net cost to the public.

Development enthusiasts, however, would do well to recall the purpose of green belts. As Professor Peter Hall of Reading University reminded an Institute of Economic Affairs Conference last week, they may not be very beautiful and may not be very green, but without them towns would never stop. The brown bits of the green belt certainly require greening, but not at the price of more houses.

Biggest challenge

The biggest challenge for the Government, besides defending the green belt, is to find a fairer and more efficient way of regulating development elsewhere in the south-east. The powers of county authorities have been progressively weakened since 1980: as things stand, the distribution of the one million new homes supposedly required by the year 2000 will be determined by the land and the outcome of numerous local battles between district authorities and developers. As Professor Hall argues "at 5,000 houses a time it is going to be an extraordinarily costly and time consuming business." Games of chance, he thinks, should not determine whether and where we build new communities in Hampshire or Kent.

Professor Hall suggests that a return to strategic planning in the south-east would be preferable to the present chaos and lack of accountability, which gives every community an incentive to shift development into somebody else's backyard. Such a view is unlikely to appeal to the Government, but it must recognise the need for a fair and orderly supply of development land. Local communities and developers are not in a position to assess the relative social merits of different sites, nor do they have an incentive to worry about the wider infrastructural consequences of their decisions. This may be one of the few markets where some central guidance is needed.

The lessons for Mr Shultz

THE PAST seven days ought to have given Mr George Shultz, the US Secretary of State, reason to re-appraise his faltering efforts to facilitate peace negotiations between Israel and its Arab neighbours. Last Tuesday, he ended his fourth shuttle mission to the Middle East this year with no progress to report. Mr Yitzhak Shamir, the Israeli Prime Minister, continues to reject his central proposal for an international conference. On Thursday, Arab leaders, meeting in Algiers, delivered their own unanimous verdict on recent American diplomacy, saying it remained biased towards Israel and hostile to Palestinian national rights.

The message from the Arab summit was that there will be no Middle East peace without a comprehensive resolution of the Palestinian issue. This, moreover, is not simply a matter of trying to reach accommodations with individual Arab states or of making territorial adjustments but of properly addressing the fundamental question of Palestinian self-determination.

None of this was new, but it needed restating in the light of the six-month-old uprising in the West Bank and Gaza Strip, which has changed the ground rules of the Arab-Israel dispute.

New link

The Algiers summit demonstrated that the uprising has forged a new link between the Palestinian-Israeli conflict and the broader confrontation between Israel and the Arab states. It has boosted the role of the Palestine Liberation Organisation. In the process it has made the foundations on which recent US mediation has been based look curiously irrelevant.

Mr Shultz's plan foundered in part on the old problem which has hamstrung US Middle East diplomacy since Mr Henry Kissinger obliged the Israelis in 1975 by promising not to talk to the PLO: that of finding someone to speak on behalf of the Palestinians. The PLO, arguing that his proposals showed no sign of dealing seriously with the Palestinian issue, refused to have anything to do with him. The US Secretary did manage, twice in Washington, to meet unofficial Palestinian representatives, but they told him that there was ultimately no way round the PLO.

Now the largest gathering of Arab leaders in years has reiterated the same message. It was a measure of current pressures that even Jordan's King Hussein, who favours a Jordanian-Palestinian confederation and has been keen on maintaining a dialogue with Mr Shultz, said he would not obstruct a call for an independent Palestinian state and argued for support of the uprising in order to hammer home Arab displeasure with American policy.

Call to US

Given that Mr Shultz has hitherto seemed determined to pursue his initiative, partly to lay the groundwork for action by the next US Administration, what lessons should he draw from the events of the last week?

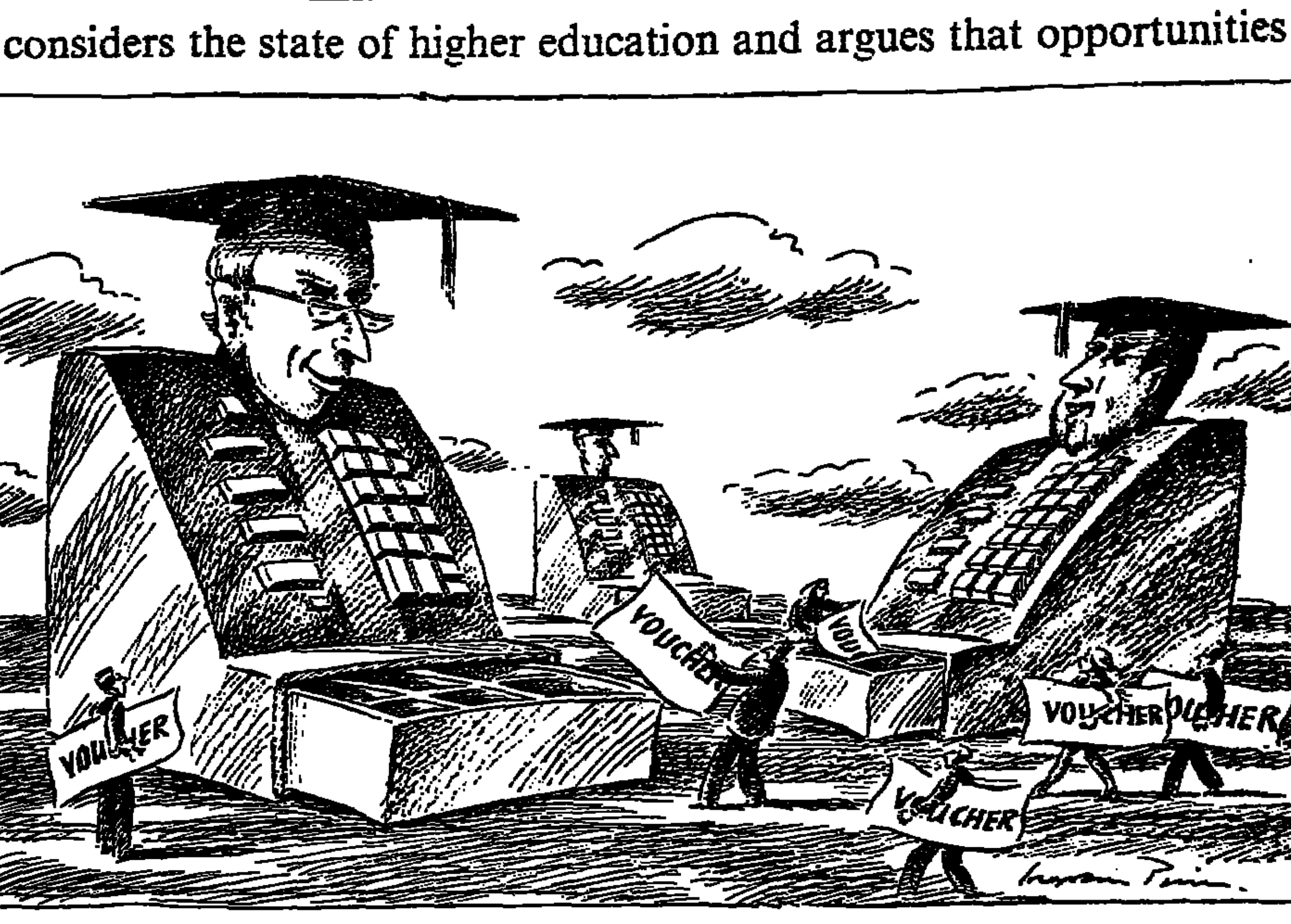
The first answer is that he should certainly not contemplate giving up. One of the more remarkable aspects of last week's summit was its implicit call on the US to stay engaged in Middle East peace efforts. The second is that he should make a more serious attempt to involve the Palestinians. He will have to find ways of assuring them that his aim is not merely to get Israel out of its uncomfortable political predicament but to achieve a settlement which genuinely addresses Palestinian national aspirations.

If he moves in this direction, the Palestinians, too, should be able to show greater flexibility. The US will not easily abandon its refusal to deal with the PLO unless it unequivocally recognises Israel's right to exist, nor will the latter be keen to make further concessions without American recognition. But there are many ways in which the two sides can talk to each other short of a full-scale official dialogue.

Another important reason why an American rethink now seems in order lies in the rapprochement between the superpowers, which has raised hopes of US-Soviet co-operation in resolving regional conflicts. Mr Mikhail Gorbachev successfully urged last week's Arab summit to adopt a moderate stand which would not completely torpedo current peace efforts. The task for both Moscow and Washington is to build on the Arabs' restated readiness to negotiate in full awareness that the Palestinian issue lies at the core of the Arab-Israel conflict.

The case for freedom before safety

Michael Prowse considers the state of higher education and argues that opportunities are being missed



ONE WONDERS what some of the great literary and intellectual figures of the past would have made of the present debate about the future of Britain's universities.

It is hard to imagine Ludwig Wittgenstein, for example, being greatly concerned about reduced public subsidies or tighter financial controls. He lived frugally, had a lifelong contempt for "nine to five" academics and quit his briefly-held professorship at Cambridge to become a hospital orderly. He wrote most of his famous Tractatus while serving in the Austrian army during the First World War. The manuscript was finished in a prisoner-of-war camp – a far cry from the idyllic calm of an Oxbridge quad.

And what would George Orwell have made of the bleats about loss of job tenure and threats to "academic freedom?" As somebody who deliberately lived the life of a down-and-out in Paris, he might be unsympathetic to dons who fear unemployment.

As for academic freedom, can any employee of the state – whether run by Big Brother or somebody more liberal – seriously expect to be free? Surely the values of any paymaster will make themselves felt over time? Dons who feel pressured by funding councils or bureaucrats can always resign and write a book as a private citizen. Provided a government is committed to freedom of expression in the broadest sense, does it have to provide extra "freedoms" for those on its payroll?

The idea that scholarly research is possible only within the confines of a vast government-financed and supervised academic system is a relatively recent one. So is the concept of the full-time, tenured academic. Many of the greatest thinkers in the past combined academic study with other activities.

Spinoza, Descartes, Hume and Schopenhauer were outstanding philosophers, but none spent their days in an ivory tower. The notion that scholarship is inconsistent with other things, such as the need to earn a living, is a 20th century invention – and quite possibly a confidence trick.

The separation of universities from other aspects of life, including business and commerce, is probably detrimental to all concerned. Most dons have never done anything besides study and teach; their experience of life is thus often extremely limited. The narrow horizons are likely to stunt rather than stimulate creative thinking; they certainly reduce the likelihood of academic research having relevance beyond the campus.

Many people, including bright graduates who left universities after completing their first degrees, perhaps have the capacity to do, say, five good years of research, but how many people are really suited to a lifetime of research? Yet the rigidity of the present system obliges individuals to make a once and for all choice at a tender age. This is surely unlikely to be efficient. If the abolition of tenure for new appointments loosens things up and encourages a bigger flow across university boundaries – both in and out – it will be all to the good.

In the present decade, the Thatcher Government has refused to accord universities, dons or students a privileged status. Like the rest of the public sector, universities have had to contend with expenditure cuts, staff redundancies, departmental rationalisations, value-for-money audits, and tighter management and financial controls.

Students have seen the real value of their grants fall sharply. Dons have experienced pay cuts relative to other comparable groups such as top civil servants. The no-nonsense approach has infuriated many academics, who sincerely believe their work is of unusual importance and significance. Their sense of alienation perhaps reflects the speed of the universities' fall from public grace.

It is only 16 years since Mrs Thatcher, then Education Secretary, published a white paper – Education: A Framework for Expansion – that exuded optimism. Mrs Thatcher, like many in the early 1970s, was still under the influence of the Robbins Report of 1963. Lord Robbins had preached a gospel of expansion that led to the construction of many new universities on green field sites.

All wanted to do everything and most, consciously or unconsciously, modelled themselves on Oxford and Cambridge. Mrs Thatcher's 1972 paper anticipated, without a trace of apprehension, an increase in full-time student numbers of no less than 59 per cent between 1971 and 1981. This was to be accompanied by a 63 per cent increase in real public expenditure on universities.

While conceding that the economy's need for highly qualified manpower was an important consideration, the 1972 case for pumping resources into universities and polytechnics rested heavily on an explicit acceptance of the value of higher education as a "contribution to the personal development of those who pursue it."

The population of 18- and 19-year-olds rose steeply during the 1970s and it was taken for granted that taxpayers should finance the pursuit of knowledge on an ever-increasing scale. Much play was made of international comparisons which suggested that access to higher education was excessively constrained in Britain.

In the event, the planned expansion was derailed. Even before the austerity measures of this decade took effect, outside events such as oil crises, near hyper-inflation and economic supervision by the International Monetary Fund prevented Whitehall putting Mrs Thatcher's original plans fully into effect. Today an expansion of nearly 25 per cent in the full-time university student population would be required to raise numbers to the levels pencilled in for 1981. And this does not just reflect the fact that this Government has shifted the balance away from universities and towards polytechnics and sub-degree-level colleges of higher education.

> Most dons have never done anything besides study and teach; their experience of life is thus extremely limited

The 1972 white paper set a planning target of 750,000 full-time and sandwich course places in higher education; the number available in 1986 was 594,000, with less than half in universities proper.

The renewed vigour of the economy and the buoyancy of tax revenues have increased the Government's room for manoeuvre. So too have demographic trends. The number of 18- and 19-year-olds is set to fall by nearly a third by the mid-1990s. The widening of access to higher education dreamed of in the 1960s could become a reality. Equally, the cash exists to lubricate all manner of imaginative structural changes in the organisation of universities and the financing of students. Given the possibilities, the measures outlined in Mr Kenneth Baker's Education Bill and elsewhere are dull in the extreme.

The Thatcher Government is prepared to underwrite only a modest expansion in student numbers. By the year 2000, about 18½ per cent of British 18- and 19-year-olds are expected to proceed to degree level courses. This compares with about 14 per cent today. Yet in Scotland, where sixth form courses are broader and the worth of education better appreciated, the proportion is already around 20 per cent.

In the US, participation rates exceeded present UK levels in the 1940s and are now two to three times higher – estimates vary wildly depending on the definitions adopted. Mr Baker and his immediate predecessors have surely taken the Kingsley Amis doctrine that "more means worse" too much to heart.

The structural changes envisaged are even less inspiring. Most members of Mrs Thatcher's Cabinet are trying to extend personal choice, curb bureaucracy and fan market forces. In many spheres, such as health, this approach is risky. There are many groups – such as children, the disabled, the old and the poor – who might suffer if left to compete in a freeish market. Higher education is a more natural arena for experimentation. There is still a risk of casualties, but it is containable. After all, students are by assumption of above average intelligence and they possess above average earnings potential. They should not need nannying: indeed, if they cannot be relied upon to work a market mechanism, who can?

Mr Baker might, therefore, have been expected to propose some experiments with market allocation mechanisms. As several pundits have pointed out, the direct subsidies which are doled out by the University Grants Committee could be phased out and institutions encouraged to raise fees to economic levels. Students meeting some agreed educational standards at school could be given vouchers and left to purchase the tuition they want at the college of their choice. This way student-consumers would determine which institutions and disciplines flourish.

The Government would be financing higher education but not deciding in a high-handed manner what the economy "needs". Science would not expand at the expense of the arts just because some politician thought this desirable. Business, of course, could have a say by offering its own finance for particular courses and degrees, but it would not have undue influence.

It would be natural to combine tuition vouchers with a move towards loans to cover living expenses – something that is being actively debated at the Education Department. Sweden – that bastion of Nordic socialism – started replacing grants with loans in the mid-1960s. The knee-jerk reaction that loans would penalise working class teenagers may not be correct. The lowest socio-economic groups are already grossly under-represented in universities – much more so than in the US where loans are the norm.

It is crucial that loans be phased in very slowly (as was the case in Sweden) and offered with flexible repayment terms. A crude mortgage-type loan might well deter teenagers from less privileged backgrounds. But there are many possibilities: some countries, for example, ensure that loans are repaid by imposing a fractionally higher than normal marginal tax rate on graduates.

Loans and vouchers would have the advantage of making students both more discerning and more powerful as consumers of higher education. Universities would have to provide what was wanted rather than what suited them or a funding council. The change would be likely to result in a greater diversity of courses and subject combinations.

As in the US, students would probably be able to take courses separately and build up the credits needed for a full degree in their own time. Perhaps most important, it would be possible to put much-neglected mature students on the same footing as school-leavers.

At present adults who study in the evening or on day release have to pay fees out of their own pockets. Under the new rules, they could get tuition vouchers like everybody else and enjoy the same access to loans. The market in mature students is potentially vast and of increasing importance for universities in view of the dwindling teenage population.

Mr Baker seems to be showing a conservative restraint towards the possibilities. His new University Funding Council could be the creation of a 1960s' planner. It will have more-extensive powers than the existing UGC and operate more nakedly as an instrument of Whitehall.

Many dons may instinctively prefer the apparent safety of planning to the uncertainties of a student-driven, decentralised system. But if academic freedom is a real concern, they might be wise to press for change. No government guarantee of freedom would be worth much if the financial strings are drawn sufficiently tightly. A multitude of student-paymasters, on the other hand, might prove extremely tolerant.

OBSERVER

The poor go on puffing

■ A study by the Institute for Fiscal Studies published today confirms what must have been becoming increasingly obvious from ordinary observation: smoking is on the decline among the higher income groups and rising among the lower.

Still, the figures, which apply only to Britain, are worth noting. In 1970 just over 70 per cent of all households contained at least one smoker. By 1984 the percentage was down to 51.

In 1970 the proportion of smokers tended to rise with income, except for a slight drop among the top 5 per cent of earners. Since then the trend has been reversed.

The proportion of smokers among the highest earners has fallen by more than one third – from 74 per cent to 50 per cent – and is presumably still falling. Over the same 15 year period, smokers among the bottom 5 per cent rose from 29 per cent to 40 per cent.

The figures also suggest that smoking is falling more rapidly among those in work. Among the "unoccupied", a category that includes housewives, it has actually risen. In general, smoking has become less common among the younger age groups and among men.

In regional terms smoking has come down faster in the South and the Midlands than in the North, Scotland and Wales. Wales has moved from below average to above average. East Anglia has moved in the opposite direction.

The findings must put a new light on any proposed increases in tobacco taxes. In Britain tobacco is already more highly taxed than any other item at 74p in the pound. Yet, on the whole, the better off react to higher prices either by stopping or by cutting back; the poorer go on smoking.

There must be other factors of course, like health campaigns and a change in fashion. But neither the campaigns nor the fashion seem to have had much effect on the less well off.

Research into third world habits, one guesses from the anecdotal evidence, would come to broadly similar conclusions. The poor smoke because they have fewer other comforts.

God's children

■ The super powers are ganging up on Margaret Thatcher.

Eduard Shevardnadze, the Soviet foreign minister, told the following variant on an old story to George Shultz, his American counterpart, at their last meeting.

Mikhail Gorbachev, Ronald Reagan and Thatcher go to Heaven on the same day. God says to Gorbachev: "Well done, my son. Come into my house and sit upon my chair." He says much the same thing to Reagan, who is equally receptive, and is just beginning to say it to Thatcher when she interrupts: "I'm not your daughter, it's not your house and you're sitting in my chair."

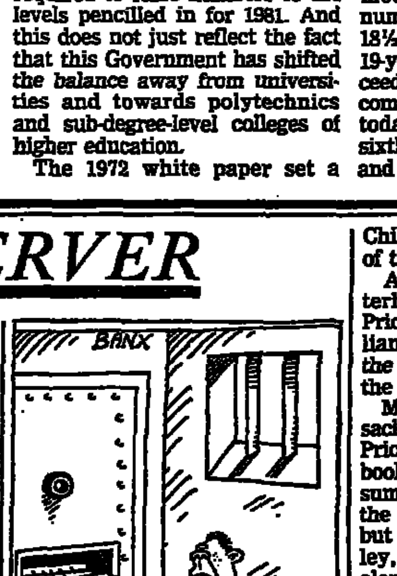
Bloomsbury alive

■ Robert Medley is not quite the last surviving member of the Bloomsbury Group. Quentin Bell is still around and only 77.

Medley is 82 and is having his first one-man show for years at the Louise Hallett Gallery in London W2 (until July 9). He was never the most prolific of artists and says that he was no good at the exhibition business, which means producing about 40 paintings every two years for display. The present show, he claims, could have been twice as big if had got all the available Medleys together.

It is selling well. Almost more interesting than the show, however, is the awakening of interest in his book Drawn from the Life: a Memoir which was published in 1983 and not widely noticed at the time.

Medley says that he was disappointed at the initial reaction to the book, but always thought that it would have a long shelf-life. It is one of the most fascinating books about the younger generation of the Bloomsbury Group ever written. In particular, it includes the definitive account of the Group Theatre in London in the 1930s, which was run by Medley's life-long friend Rupert Doone.



Those associated with the Group include W H Auden, T S Eliot, Benjamin Britten, Christopher Isherwood, W B Yeats and E M Forster; the young Alec Guinness was just coming on as an actor.

Medley tells a story that has never been challenged since: Eliot inexplicably wrote his first version of Murder in the Cathedral in prose. It was rejected.

Old school ties

■ Medley remarks incidentally on the tendency of a group of subsequently well-known people to have been at the same school at roughly the same time. In his case it was Gresham's School, Holt in Norfolk where among his exact contemporaries were Auden, Britten and Erskine Childers, who became President of the Irish Republic.

A more recent example is Charterhouse where the now Lord Prior, the about-to-be Lord William Rees-Mogg, Simon Raven, the novelist, and Sir Peter May, the cricketer, were all together.

May is the man who keeps sacking English cricket captains. Prior writes of him in his recent book that he was "shy and unassuming". He could have been in the first XI in his first summer, but the house master, Robert Birley, was against bringing him along too quickly. Prior seems to doubt that May learned the lesson as chairman of the English selectors.

Kuwaiti coup

■ The melange of potentates and presidents at Arab summit meetings invariably produces the odd touch of theatre.

The one last week in Algiers had several: the arrival of Morocco's King Hassan in the Algerian capital for his first visit in 15 years – on a car ferry; the insistence of Colonel Mummar Gadaffi, the Libyan leader, on wearing a white glove during the meeting so that he would not have to touch the Moroccan monarch's hand, which shook that of Shimon Peres when he was Israeli Prime Minister two years ago.

The prize for the most subtle coup de théâtre, however, went to Sheikh Jaber al-Ahmad al-Sabah, the Emir of Kuwait, who arrived and departed on what was presented as the very same Kuwait Airways 747 that was hijacked to Algiers among other places in April.

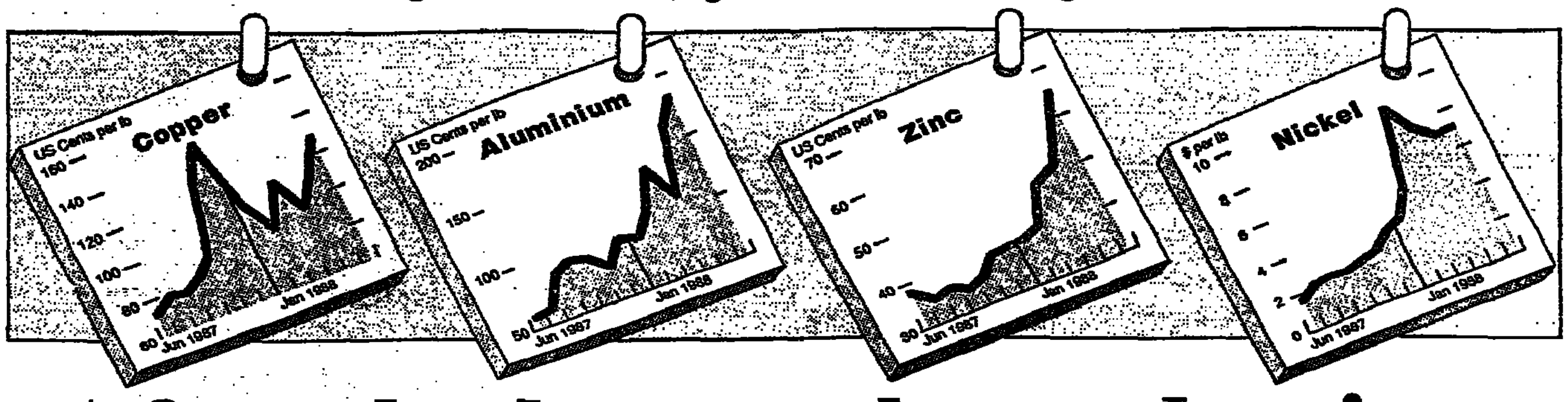
The jumbo jet, named Al-Jaberiyya after the ruler, sat on the tarmac on Algeria's Houari Boumedienne Airport until Friday – a pointed reminder both of Algeria's role in defusing the crisis and of Kuwait's refusal to yield to the hijackers' demands.

Back to smoking

■ "Do you mind if I smoke?"

"I don't mind if you burst into flames."

Kenneth Gooding examines the background to the recent surge in base metal prices



After the boom, the reckoning

THE BASE METALS industry, mired in recession only a few years ago, has undergone such a revival in the past 12 months that many in the sector are now talking of a period of sustained resurgence.

In the last year, the price of nickel has risen by 248 per cent; aluminium is up by 173 per cent; copper by 65 per cent and zinc by 56 per cent. Copper, aluminium and zinc have all reached new record levels on the London Metal Exchange. On March 25, nickel changed hands for $23,900 a tonne, the highest price ever paid for any metal on the LME.

In the past few weeks, the mood of metals' analysts has shifted perceptibly. They had expected the metals to show the traditional boom-bust pattern and begin to fall sharply in the second quarter. That simply has not happened. Instead, prices are expected to go even higher before easing back a little at the end of this year.

"It seems to me that the investment community has not yet taken on board the possibility that, rather than just another cyclical blip, we are witnessing the renaissance of the base metal mining industry," suggests Reg Eccles, the director of natural resources research for stockbrokers Ord Minnett.

His message finds support even from the RTZ Corporation, which usually takes an exceptionally conservative view of the metals business. The group's economic adviser, Mr Phillip Crowson, acknowledges: "We expect the average level of base metals prices in the next five to 10 years to be higher in real terms than those in the past five to 10 years."

The analysts who believe the industry has moved into a new era also point out that there is little evidence that mining companies are being encouraged by current high prices into making mistakes of the magnitude of the late 1970s. Then, they rushed into expansion schemes which came to fruition in the deep recessions seen in the first half of the 1980s.

The resultant flooding of the market at a time of falling demand led to oversupply and a perception that metal was immediately available – a perception which persisted beyond the start of the economic recovery in 1982 right through to 1985.

By that time continuing growth in demand finally absorbed all the additional supply with the result that metal stocks began to drop very quickly and prices surged.

Now comes the reckoning. During the recession, when the base metals industry as a whole was losing 10 cents on every dollar of metal produced, capacity was eroded and exploration curtailed. But during the period, there was still money to be made from gold, which became the focus of most activity. "Nearly every exploration dollar was spent on searching for gold," says RTZ's Mr Crowson.

The impact on just one of the world's major mining countries – Canada – was outlined recently by Mr Norman Keevil, president of Teck Corporation, the Vancouver-based natural resources group. He pointed out that since 1981 Canada's gold reserves had jumped by 94 per cent but in the same period reserves of nickel had fallen by nearly 20 per cent, those of copper by more than 21 per cent and those of zinc by 24 per cent.

"The biggest challenge facing us today is to replace our waning production base, which is our reserves," said Mr Keevil. "We need more exploration and more effective exploration, particularly for metals other than gold."

His remarks echo those of Mr Andrew Buxton, RTZ's director of metals, who suggests that the mining industry has devoted too much energy to gold exploration at the expense of other, more useful metals.

According to Mr Buxton, the present high prices for base metals can be traced, in part, to a gradual erosion of the mining industry's capacity to produce. He suggests that the nominal capacities of mines and plants are often significantly in excess of their effective capacities following changes forced on the industry during the years of recession.

The mining industry has deliberately scrapped or down-graded outmoded or high-cost facilities and redesigned mines to produce at lower, more-competitive costs. Mr Buxton estimates, for example, that by the end of last year the effective capacity of the world's copper mines was "getting on for 1m tonnes below nominal capacity".

Another important factor is that the last big investment in new facilities was in the early 1970s, so mines and plants are now middle-aged and many are nearing the end of their useful lives. Older mines are less efficient because they are deeper, it takes longer for people to get to the working faces and the capital equipment often is wearing out and needs replacing.

The situation is made worse by the fact that many of the ore bodies found in the latest phase of base metals exploration in the 1960s and 1970s are no longer worth developing.

The reserves were discovered when the industry's cost structure was entirely different; when energy costs were low and so was the cost of money. Many of them have very little metal per tonne of ore and are in remote areas of the world. Once the cost of providing access roads, accommodation for the workforce and other infrastructure work is taken into account, the mines would have to be developed on a huge scale, thus adding more expense for capital and capital equipment.

The gap left by mine closures and lack of exploration will not be filled easily or quickly because banks and financial institutions are generally unwilling to lend to the mining industry, particularly in countries with large sovereign debts.

While the soaring prices have brought respite to the poorer countries in terms of increased foreign currency earnings, they have had difficulty making profits even in good times because of structural inefficiencies. In some cases, such as copper producer Zambia, the price surge has delayed closure of high-cost mines. But the lack of funds to import spare parts for rapidly deteriorating equipment has prevented other metals producers from taking full advantage of the price increases. For example, mine output in Peru this year is well below normal for this reason.

Nor have high prices yet encouraged much new activity by foreign companies in producer countries, such as the Philippines, where the political risks are still seen to outweigh the new economic conditions.

The companies have generally become very cautious, even though the current high prices are providing them with a bonanza. "The present generation of senior managers of mining companies has come through a baptism of fire. Like Talleyrand in the French Revolution, they have survived. And they bear all the scars of that survival," Mr Crowson points out.

"They are not willing to jettison too readily their gains of reduced costs and increased competitiveness . . . They claim to eschew the pursuit of market share or growing sales or similar targets and to concentrate solely on maximising profitability."

An analysis by the Metals and Minerals Research Services consultancy group shows the impact of last year's spurt in metals prices on a range of mining companies (including all the industry's best-known names). It was stunning. The return on shareholders' equity for the group, which averaged a dismal 1.3 per cent from 1982 to 1986, shot up to 10.3 per cent last year. Operating profit margins rose by nearly half to 14.7 per cent and net income for the group increased by more than 185 per cent to $1.6bn.

The analysis also shows that the first reaction to soaring profits was an attack on corporate debts, which had climbed steadily in the recession. In 1987, the sample group reduced long-term debt by 23 per cent and the members' debt to equity ratio fell to 34 per cent from 40 per cent. "No producer wants to enter another bout of weak prices loaded with debt," points out Mr Simon Hobson, an analyst with MMRS.

While the profits continue to flow in, many metal producers are taking the opportunity to line up future raw material stocks either by accelerating exploration or expanding mine and mill complexes. Others are securing more smelting capacity for their mine concentrates (material containing up to 40 per cent metal) or finding other ways of adding to the value of their output. Nearly all are spending money to cut production costs again and some are expanding into other mining sectors such as, inevitably, gold. Some are defensively diversifying outside the metals industries.

Mr Hobson says: "In every instance, profits are being spent carefully and cautiously. New mega-mining projects are virtually unheard of. No one is going to press his luck this time."

Meanwhile, metals stocks are at dangerously low levels and the industry's capacity utilisation is very near 100 per cent. In these circumstances any modest disruption in supply can cause havoc and send prices roaring upward on the London Metal Exchange, which is frequently the market of last resort for the desperate buyer.

The implications for the metals companies' shares of rocketing prices should be obvious. Not so, apparently. Mr Tony Hayes, who heads the metals and mining team at stockbrokers W. I. Carr says: "Judging from the price action of mining company shares, it would appear that equity investors are either totally oblivious to the bull market in metals and have mentally relegated it to the status of a manipulated, speculative, metal exchange side-show – or they are anticipating an immediate economic Armageddon."

Lombard

Why 'fair trade' is not free

By Martin Wolf

"THE CBI stands for free trade provided it is fair trade . . . . We cannot afford to continue playing football against people with a brick wall across their own goal mouth." Thus wrote John Banham, Director-General of the Confederation on British Industry, in The Independent, in reference to the bids for Rowntree by Nestlé and Suchard. In so doing, he expressed the views of most businessmen and, perhaps, most people. Unfortunately, "free and fair trade" is a contradiction in terms.

When shareholders in Rowntree sell their shares to Swiss bidders, they receive money that they think more valuable than the shares. Meanwhile, the bidders receive shares that are more valuable to them than the money. Both parties are better off and both parties regard the transaction as fair.

Within any country that would be the end of the matter. Provided the transaction is voluntary, its fairness would be viewed as a matter for the parties directly involved. Suppose, for example, a closely held British company or a mutual life insurance society were to purchase a publicly quoted company with widely held shares. The question would be whether the price was satisfactory to the shareholders and, of course, whether there were dangers to competition or some other well-defined national interest. Nobody would argue that the transaction should be prevented just because the purchaser cannot be bought.

Suppose, however, that the shareholders were not permitted to sell their shares, on the grounds that nobody can buy shares in the acquiring company. The freedom of shareholders would evidently be restricted. So fair trade and free trade are antitheses. Imposing what some people consider fair limits the right of others to act freely, which they are also likely to feel is unfair.

Why is it that ideas that seem foolish within the national context become compelling where transactions across frontiers are concerned? The reason is that an entity called the UK is thought to be trading with Switzerland, Japan or the US. The UK, it is felt, should not permit Switzerland to purchase bits of the UK if the UK is not permitted to purchase bits of Switzerland.

Such an emphasis on reciprocity or "fair trade" is not necessarily protectionist. It is a mercantilist idea, but one that usually has protectionist consequences.

The emerging European states of the sixteenth, seventeenth and eighteenth centuries sought to bind their citizens to themselves by encouraging them to feel part of a collective persona engaged in life or death competition with similar entities abroad. Trade was war pursued by other means. Unhappily, the mercantilist vision of trade as a war among states is still powerful. It is why unilateral liberalisation is often called unilateral disarmament. It is also why the General Agreement on Tariffs and Trade (Gatt) works as a mutual disarmament treaty among warring states, with reciprocal bargaining defining the form and extent of that "disarmament."

The mercantilist vision is a convenient one both to the state and to protectionist lobbies. If the state is to defend the interests of all those who might be harmed by a transaction between a citizen and a foreigner, it enjoys *carte blanche* for intervention. Meanwhile, protectionist lobbies can wrap their self-interest in the national flag.

A key part of the revolution against mercantilism was the argument that freedom of transaction across frontiers is as justified as within them, almost regardless of the policies of others. Of retaliation (or reciprocity), the most famous revolutionary, Adam Smith, argued that "there may be good policy in retaliations . . . when there is a probability that they will procure the repeal of the high duties or prohibitions complained of . . . When there is not probability that any such repeal can be procured, it seems a bad method of compensating the injury done to certain classes of our people, to do another injury ourselves, not only to those classes but to almost all other classes of them."

Free trade and fair trade are antitheses. Worse, "fair trade" is usually impoverishing. If one is going to shoot oneself in the foot, one must find a better argument than that someone else is doing the same thing.

Letters to the Editor

A reliable guide to steer by

From Professor Patrick Minford.

Sir, Samuel Brittan likes to keep up with fashion, and monetarism is less fashionable than it was. So by declaring civil war between monetarists and walking away (June 9), the European Monetary System (EMS) held high, he seems to have freed himself at one bound from old fashion and his own past beliefs.

Yet has he? The exchange rate rule he favours is of course as monetarist as any. It will only work if some other country pursues monetary discipline, and if the home country obeys the difficult monetary rule of not devaluing when its wages and prices get out of line. He rightly believes that such a rule would ultimately work if credible. But in the EMS that credibility is undermined by the scope for devaluation.

The advantage of MO as a target is precisely that it is, as he seems to agree, a very good monetary indicator. He echoes the standard City cry that MO is supplied on demand. Of course – but so what? To be demand-determined in the short run is no bar to being target-determined in the long run; it is the long run determination of MO through targeting that controls inflation in a deregulated banking system.

To look at everything is always sensible. But MO provides a reliable up to date guide for monetary policy to steer by, unless something very unusual is clearly happening. Currently, the tightening prescribed by MO looks a good deal more sensible than the cutting of interest rates suggested by the previous 3DM shadow target.

Patrick Minford,
The University of Liverpool.

No idle justification

Mr Richard Metcalfe.

Sir, You are wrong to suggest that "there is plenty of time for specialisation at university" (Leader, June 8). On the contrary, there is a genuine need for a choice to be made at the age of 16, and such a choice does not impose a false division between the areas of study open to a 16-18 year old.

You mention the US as an example of a country where education is broader – but neglect the fact that in the US the first years of a degree course are spent covering the specialist ground that is already covered by a UK secondary school "A" level course. It is arguable that time spent at university should be devoted to more advanced thought.

While it is laudable to encourage a better understanding of the importance of subjects outside one's own specialities, we would in fact do more good by trying to break down what remains of the - wholly false - distinction which says that boys should study science and girls the arts.

But the arts/science distinction in itself is not a false one, and the "A" level subjects that can currently be grouped together – English, French and German is the example you quote – act as necessary complement to each other. It is this which truly broadens horizons.

Perhaps the main point you have missed is this: it is no idle justification for higher education to say that it trains the mind. If you will only check the *lack* of correlation between subjects studied and professions followed, the significance of this will become apparent.

One further point demands clarification. It is, as much as anything, the insularity of the British people which hinders their progress towards the learning of foreign languages and an appreciation of their value. (The fact that English has become a *lingua franca* does not not help.) That attitude is changing, and you are right to imply that it can be worked at. But the answer is not to over-compensate at the expense of a good education system, successfully broad in terms of the number of people it reaches (particularly at higher levels – where it is now suffering).

There is greater room for specialisation in British education, if only because courses which have a practical application are where a system such as the German one succeeds. Its value certainly does not lie in a particular number of subjects studied, while the strictly practical advantage a German gains in studying a foreign language (that is, English) is still likely to be greater than that a Briton gains by studying German, because English is so widely used.

Specialisation means choice, and it is worth devoting money and energy to the ability to choose, as this government is so fond of saying.

Richard Metcalfe
24 Copperfields Court,
Gunnersbury Gardens, W3

Ghana's efforts to alleviate poverty

From Mr Vivian Craddock Williams.

Sir, Your description of Ghana's efforts to alleviate poverty (June 6) understates the radical nature of the economic recovery programme (ERP), within which Pamscad (programme of action to mitigate the social costs of adjustment) is to be implemented.

ERP measures to stimulate the economy through industrial diversification and comprehensive rural development were initiated long before the consequences – for the poor – of cedi devaluation, producer price increases and subsidy removal (which are central to adjustment) were fully evaluated.

Pamscad is a bridging fund which fortifies the objectives of ERP II. It provides short term assistance to communities like the shanty town Nima 441 in Accra, while the beneficial effects of ERP are being organised.

The commitment to it of the ruling People's National Development Committee must be sustained. But so too must western support: there is clear scope for extended small business connection, for community twinning and linking, and for development work by UK charities.

Aid donors, including the UK's Overseas Development Agency (ODA), are beginning to appreciate the unique ability of non-government organisations (NGO) to deliver poverty alleviation and to achieve development goals at relatively low cost. ODA facilitated NGO activity will be the best way to support Pamscad and Ghana's economic recovery programme.

Vivian Craddock Williams,
Tricontinental Development Consultants,
18 Linver Road, SW6

Engineering management needs knowledge of information technology

From Mr Peter Senker.

Sir, I was concerned to read that a recent report by the Science Policy Research Unit was interpreted as an "attack" on training in the electronics industry by the Engineering Industry Training Board ("Report Attacks Training in Electronics Industry", June 3).

Our aim was rather to make constructive suggestions for improving electronics training in the engineering industry as a whole. Your report rightly emphasised our conclusion that there is a need to develop management knowledge about information technology throughout the engineering industry.

It is also worth noting that we made detailed suggestions about the content of much needed short modular maintenance courses, including the need for a one to two day basic course in fault finding. As you point out, the study was sponsored and published by the Engineering Industry Training Board (EITB) and two members of the EITB's staff were seconded to work on it, but we took responsibility for writing the report and carrying out the surveys on which it was based.

Peter Senker,
University of Sussex,
Falmer, East Sussex

From Mr Geoff Mason.

Sir, An article on your Employment page ("Fewer Jobs for Craftworkers", June 1) implies that the Engineering Industry Training Board (EITB) is seriously at odds with the recent report on comparisons of craft training in France and Britain by Hilary Steedman of the National Institute of Economic and Social Research. On the contrary, we have always found the Institute's arguments, linking industrial productivity performance with employees' attainments in vocational education and training, to be both convincing and instructive.

However, it is important to recognise that productivity improvements in British industry require an increase in average levels of skill and knowledge right across the shop-floor, not just an increase in the numbers of workers trained to craft level. As Mrs Steedman's report makes clear, French employers are, in fact, increasingly taking on school leavers with the *Certificat d'Aptitude Professionnelle* qualification for semi-skilled as well as skilled work.

Unless they receive a substantial period of structured, on-the-job training, these people will remain operators in British terms and are not directly comparable to fully qualified craft workers. However, they are operator recruits of comparatively high quality who have received (at state expense) engineering education and off-the-job training equivalent to a City & Guilds Part II certificate and the first year of EITB apprenticeship training combined.

The basic skills and knowledge such new recruits bring to the job must contribute materially to productivity on the shop-floor and ensure a high degree of "trainability" as and when new skills are required. British employers might well be willing to set their training sights higher if a larger supply of young people with equivalent qualifications was available to them.

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FINANCIAL TIMES
Monday June 13 1988

Janet Bush on Wall Street

Landmark day for US banks

TODAY could turn out to be the most important landmark for US banks since barriers were set up between commercial and investment banking by the Glass Steagall Act of 1933.

The US Supreme Court is expected to announce its decision whether to hear a case brought by the Securities Industry Association to overturn a ruling by the Federal Reserve Board in April *last year allowing banks to* underwrite mortgage and other asset-backed securities, commercial paper and municipal revenue bonds.

Over the past year the SIA has been waging a lone battle in the courts to prevent the banks getting access to these areas of new business and has been on the losing side every time. It sued to overturn the Fed ruling and got Congress to impose a moratorium on new bank powers until the case was heard.

The SIA lost the original case and an appeal just before the moratorium expired in March. It then asked for the case to be heard by the Supreme Court and *a court injunction on new bank* powers was imposed until the Supreme Court came to a decision.

If the Supreme Court decides not to hear the case, that injunction would be voided and major commercial banks could start their new underwriting activities this week.

Mr Brian Smith, managing partner at the Washington office of law firm Stroock & Stroock & Lavan and *a former chief counsel* to the Office of the Comptroller of the Currency, believes it is unlikely that the Supreme Court will even hear the case given a series of lower court decisions against the SIA.

If the Supreme Court decides to hear the case it is unlikely it will issue its decision until spring at the earliest, according to Mr Smith, further frustrating banks already geared up to start their operations.

The whole question of repeal of Glass Steagall and expanded banking powers is being dealt with on two fronts: in the courts and in Congress. The decision due from the Supreme Court has taken on even more importance because proposed legislation in Congress seems to have come to a grinding halt.

Although the Senate Banking Committee's sweeping proposals for repeal of Glass Steagall were passed by an overwhelming majority in the Senate at the beginning of April, nothing can be done until legislative proposals emerge from the House of Representatives.

Even now, the House Banking Committee is supposed to be drawing up revised proposals after the original, and much less pro-bank, preliminary proposal sponsored by committee chairman Mr Fernand St Germain found little support.

The message from the House Banking Committee is that there is no time for a formal reading in the committee for at least the next two weeks but that there will be a bill.

The word in Washington, however, is that the committee has hardly done any work on Glass Steagall at all. Prospects then for legislation before Congress breaks up in November seem very slim indeed.

Ironically, the collapse of current legislative initiatives could favour the banking lobby and be a disaster for the securities industry which has fought so hard against legislation.

If the Supreme Court decides not to hear the SIA case, banks will get expanded powers outside a legislative framework. They have on their side strong support from major regulators who feel that Glass Steagall is a dinosaur and that banks can go into the securities industry in a safe and sound way.

The erosion of Glass Steagall barriers outside Congress seems to be the most threatening scenario for securities houses. Although they have fought tooth and nail against the Proxmire proposals, they actually stand to gain from them. Firstly, some limits on bank powers and a set of strict and complicated safeguards on banks would be written into law. At the same time, the Proxmire proposals give securities houses some powers to own banks which they do not now have.

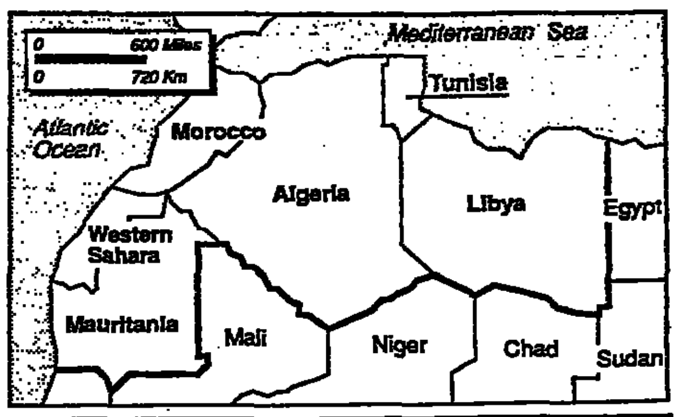
One possibility, if the Supreme Court decides not to look at the SIA's case, is that Congress would impose another moratorium on expanded powers while the various legislative initiatives are pursued.

It would then be interesting to see whether the pro-securities *industry lobby in* Congress would switch its efforts from stopping a Proxmire bill from becoming law to actively encouraging the legislation as the lesser of two evils.

Closer links between the Mahgreb countries make much sense, Francis Ghiles writes

N Africa faces the real challenge

The people of North Africa will not forgive their leaders easily, if closer economic, social and political links are not fully explored



FOR the vast majority of North Africa's 60m people, the presence of King Hassan of Morocco in Algiers last week overshadowed that of all the other Arab heads of state.

The re-establishing of diplomatic relations between Algeria and Morocco last month and the promise of greater freedom of travel and economic co-operation such a move heralds is very popular in a region where the sense of a shared history remains strong.

This does not detract from the real emotional support most North Africans genuinely express for the Palestinian cause. But the Middle East, which the vast majority of people in the region have never visited, is a long way away and its conflicts felt to be intractable.

It is less than 30 years since the war the Algerians fought against France spilled over into Morocco, and even more into Tunisia. Both countries lent considerable practical support to the "rebels" of the Front de Libération National, which today still holds power in Algiers.

After Algeria achieved independence in 1962, the competition between the conservative monarchy, proud of its centuries-long hold on power, and the thrusting revolutionaries in Algiers, keen to fight injustice wherever they could in the world was, in a sense, inevitable.

The warmer relations between Algiers and Rabat do not mean that the dispute over the status of the former Spanish colony of the Western Sahara will be easily solved. What it does suggest, however, is that the arms race in the region will be slowed and that all five countries – Algeria, Libya, Mauritania, Morocco and Tunisia – will henceforth spend *more time trying to* meet the real challenge which confronts them today.

That challenge comprises a fast-rising population, even in Tunisia where long-standing efforts to promote women and family planning have produced encouraging results and the need to create more jobs than at present. The threat is all the greater in Tunisia and Algeria where wealth and education are more evenly distributed and people's expectations higher.

Policies aimed at reforming and liberalising the economy which are under way in most of the countries can now be pursued more vigorously.

Equally important is the need to open the frontiers between countries which do 2-3 per cent of their foreign trade with each other. It would make much economic sense for Morocco to buy the crude oil it needs and certain industrial goods from Algeria, while exporting foodstuffs, fish, fertilisers and certain consumer goods to its eastern neighbour.

Colonel Muammar Gaddafi, the Libyan leader, has for his part re-opened the frontiers of his country to Tunisian workers, allowed his travel-hungry countrymen to go north and offered to finance a number of joint transport and industrial projects. At home, he has rediscovered the virtues of retail trade.

In the longer run, Algeria and its neighbours could benefit from an extension of the natural gas pipeline grid – which at present only carries Algerian natural gas to Tunisia – to Morocco and Libya. In the field of tourism, a major foreign income earner for Morocco and Tunisia, the inclusion of Algeria into cross-Saharan trails would yield considerable benefits to all three countries.

The challenge of creating much-needed jobs and opening up the frontiers will no doubt be eased if a greater measure of freedom of expression is allowed. Tunisia is ahead of its neighbours in this respect, especially since the demise of the former head of state, Mr Habib Bourguiba, last November.

But some of the articles which appear in the Algerian press today would have been unthinkable a few years ago, while the Moroccans indulged in their first-ever serious public argument, about taxation, earlier this year.

The threat of Moslem fundamentalism may appear less serious in North Africa than in the Middle East. Yet it was the agitation led by such groups which finally convinced the present Tunisian head of state, Mr Zine El Abidine Ben Ali, that Mr Bourguiba had to be removed, peacefully, *last year, before mob violence* posed a far greater threat to North Africa's smallest and most liberal regime.

President Chadli Bendjedid, who hosted the two summits in Algiers last week, leads a nation whose people were described by the great medieval Maghreb historian and statesman Ibn Khaldoun, as possessing "assabia al-aql" - an expression which suggests both stubborness of mind and a nervous disposition.

Closer links between Maghreb countries make much sense, economically, socially and politically. The people of North Africa would not forgive their leaders easily, if such paths were not fully explored.

EC calls for freeze on world farm supports at 1984 levels

BY WILLIAM DULLFORCE IN GENEVA

THE EUROPEAN Community (EC) has called on governments worldwide to freeze their support for the production of cereals, rice, sugar, oilseeds, dairy products and beef at their 1984 levels.

The EC says governments which had already cut support since 1984 – as it claims its members have done following the Community farm ministers' decision in February to curb spending on output – should commit themselves to maintaining these reductions.

The measures, described by the EC as the start of a concerted effort to reduce farm supports and halt the build-up of huge stocks of surplus foods, should be agreed this year and implemented in the first half of 1989 at the latest, the EC said.

Its proposal was tabled over the weekend in the group negotiating the reform of world agricultural trade under the Uruguay round of the General Agreement on Tariffs and Trade. Submission of the proposal was delayed until the last day of the negotiating session by differences among the 12 EC members over its wording.

British officials argued for a firmer commitment to cutbacks. The French sought to have the language watered down.

The paper set out in greater detail some of the short-term measures included in the general proposal for farm trade reform presented last October.

Even if there had been some improvement since then both in prices and in the quantities traded on world markets, the situation remained precarious, the EC warned, and linked this instability to the absence of a "common orientation" on farm policies among Gatt members.

At the current stage of the talks the EC is insisting on a step-by-step approach to reform.

The US, which has called for the abolition of all farm subsidies within 10 years, is demanding that trade ministers commit themselves to such a long-term objective when they meet in Montreal in December for the mid-term review of the Uruguay round. Washington has made consideration of interim measures conditional on the long-term commitment being made.

So far the Community has refused, although in its latest paper it described short-term action as only the first of two stages in "the phased reduction of the negative effects of support on international markets". Short- and long-term measures had to be part of a single package.

The bulk of the EC paper concentrated on how to implement the freeze on governmental support in the five key commodity sectors.

Negotiators have agreed that some unit of measurement of agricultural support is needed but objections have been raised to the Producer Subsidy Equivalent (PSE) developed by the Organisation for Economic Co-operation and Development.

The EC suggested that with three adjustments the PSE could be used to co-ordinate the short-term cutbacks. One amendment would exclude direct payments to farmers for taking land out of production. Governments should not be tempted to reduce their global support to farming by eliminating such measures, the EC said.

Production quotas and other controls on output should be excluded for the same reason.

A fixed external reference price, expressed in the currency of the country concerned, should be used in agreeing undertakings on support levels, the EC suggested. This would help to obviate distortions arising from currency fluctuations or other influences.

Japanese investment in Wales questioned

By Anthony Moreton, Welsh correspondent

THE VALUE of Japanese investment to Wales has been called into question today for the first time.

Japanese companies have brought much needed employment to Wales but their arrival has also been accompanied by several negative factors, according to an article in the inaugural issue of Welsh Economic Review, a new publication produced by the Cardiff Business School in association with the Institute of Welsh Affairs.

Since the arrival of the first company, Takiron, in 1972, Wales has boasted of its greater concentration of Japanese companies than in any other part of the UK.

But according to Mr Jonathan Morris, a research assistant at the Cardiff Business School, the 16 Japanese concerns – including Sony, National Panasonic and Brother, which employ more than 5,000 people in Wales – have have mainly created unskilled women's jobs in a country which needs work for men (a separate article shows there are now more women working in Wales than men).

He warns that this could lead to the sort of economy where workers are "just as limited in their job experience in these plants as those in coal and steel *were before.*"

The typical Japanese plant in Wales is essentially an assembly operation, devoid of higher management. Mr Morris also questions how valuable the effect of Japanese investment on the rest of the Welsh economy has been.

Mr Morris also points out that these companies have a preference for young unskilled workers, especially women. One manager even reported that his recruitment orders from Japan were for "presentable-looking female staff. Nobody fat."

Mr Morris accepts, however, that Japanese plants have brought much-needed work to Wales and provide relatively well-paid jobs. Furthermore, several plants expect to hire more workers before long.

Basic weakness, Page 6

New setback for bank network

BY ALAN CANE IN LONDON

MAJOR IMPROVEMENTS to the Swift I data communications network, the principal channel for payments messages between the world's banks, have been delayed, the Society for World*wide Interbank Financial Tele*communication has confirmed. As a result, contingency measures will be necessary to guarantee the level and quality of service of Swift I until the new network is ready.

Swift members – more than 1,500 banks in 46 countries – had expected to start to move to the vastly more sophisticated Swift II in the first quarter of 1989, but were told last week that was longer a possibility.

Mr Bessel Kok, Swift chief executive, told representatives of the organisation's shareholder banks at the society's annual general meeting in La Hulpe, near Brussels, that there had been internal project delays.

In consequence, it had not been possible to complete all the nec*essary performance tests for* Swift II in order to allow banks to switch from Swift I to Swift II on the dates planned. A further progress review would take place in mid-September this year, he said.

He assured the banks that service on Swift I would be guaranteed "into the 1990s" through a package of contingency measures including the addition of two extra telecommunications "switches", the use of the most advanced high speed storage technology and a move to more powerful Unisys central computers.

The reaction from Swift users last week was relief that the Swift I service was guaranteed but perplexity over the full meaning of Mr Kok's statement. In particular, they were concerned about the significance of "into the 1990s".

Mr Kok also assured members that the basic price for message transmissions – at present BFr17 (US47c) a transaction – would not be affected by the delay in the implementation of Swift II.

Swift I is now close to capacity at about 1m messages a day and uses obsolete technology. The delay to Swift II announced by Mr Kok is the fourth and the project is already two years behind schedule.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	23	73	Dubrovnik	C	27	81	Malta	S	28	82	Rhodes	S	28	82
Algiers	S	27	81	Edinburgh	S	17	63	Manchester	F	19	66	Rio de Jo	C	23	73
Amsterdam	S	19	66	Faro	F	21	70	Manila	C	33	91	Rome	S	24	75
Athens	S	28	82	Florence	F	24	75	Melbourne	S	16	61	Salzburg	F	21	70
Bahrain	S	40	104	Frankfurt	C	17	63	Mexico City	F	45	113	San Francisco	F	11	52
Bangkok	-	-	-	Funchal	C	20	68	Miami	F	26	79	Seoul	S	30	86
Barcelona	S	23	73	Geneva	F	22	72	Milan	F	20	68	Singapore	F	29	84
Beirut	-	-	-	Gibraltar	F	23	73	Montreal	S	18	64	Stockholm	S	20	68
Belfast	S	18	64	Glasgow	S	19	66	Moscow	C	15	59	Strasbourg	F	23	73
Belgrade	T	27	81	Guernsey	C	12	54	Munich	F	20	68	Sydney	S	17	63
Berlin	S	17	63	Helsinki	S	19	66	Nairobi	C	23	73	Taipei	F	35	95
Biarritz	S	18	64	H. Kong	F	31	88	Naples	F	26	79	Tangier	F	23	73
Bombay	F	35	95	Innsbruck	R	17	63	Nassau	C	31	88	Tel Aviv	S	30	86
Bordeaux	R	17	63	Inverness	S	18	64	New Delhi	F	42	108	Tenerife	F	23	73
Brussels	C	16	61	Islamabad	F	43	109	New York	S	21	70	Tokyo	C	21	70
Budapest	F	24	75	Istanbul	S	26	79	Nice	S	22	72	Toronto	S	19	66
B. Aires	-	-	-	Jakarta	R	31	88	Nicosia	F	37	99	Tunis	S	28	82
Cairo	S	34	93	Jersey	C	14	57	Oporto	T	17	63	Valencia	S	26	79
Cape Town	F	16	61	Jo'burg	S	14	57	Oslo	S	25	77	Venice	S	25	77
Caracas	-	-	-	Lima	C	16	61	Paris	F	20	68	Vienna	C	18	64
Casablanca	F	23	73	Lisbon	F	20	68	Peking	S	37	99	Warsaw	C	18	64
Chicago	F	17	63	London	C	16	61	Prague	C	15	59	Washington	S	18	64
Cologne	F	18	64	Los Angeles	C	15	59	Reykjavik	C	13	55	Zurich	F	20	68
Copenhagen	S	20	68	Luxembourg	C	16	61								
Corfu	S	26	79	Madrid	F	21	70								
Dallas	F	16	61	Majorca	S	26	79								
Dublin	S	17	63	Malaga	F	25	77								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Airbus finance package

Continued from Page 1

● The green light for the sale of Airbus A 310 and Boeing 767 airliners to Eastern Europe is likely to be given within the next few weeks by Cocom, the East-West trade monitoring organisation of the western allies, reports **Michael Donne in London.**

The agreement will be subject to strict limitations on the transfer of technology to East European countries.

Hanging in the balance are sales of two A310 to the East German airline, Interflug, and of Boeing 767 to the Polish airline, Lot.

Final go-ahead is expected to be given by Cocom by the end of July.

The restriction being imposed on the sales is that the export licences must not cover the sale of certain advanced technology, and know-how which could have dual civil-military applications.

In practice the restrictions will *apply to certain* navigation equipment and computerised controls, and servicing know-how, and mean that major servicing must be carried out in the West.

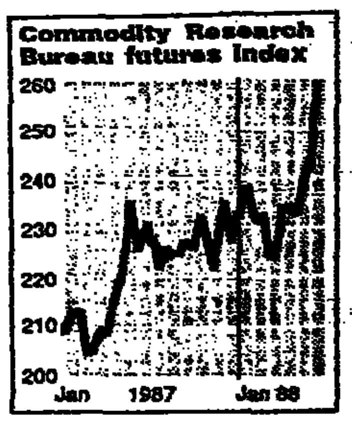
THE LEX COLUMN

Bonds take their eye off prices

It rained in Iowa last week, which may be some of the best news that the US bond market has heard for a long time. It punctured a more than week-long surge in the Commodity Research Bureau's futures index, one of the most closely watched barometers of US inflationary pressures. Even so the 13.4 rise in the CRB index over the last year, and the confirmation from last week's US PPI figures that US wholesale prices are rising at around 6 per cent per annum, underline the moderate acceleration in inflation that is now under way in the world's most *important economy.*

In other times, this sort of inflationary data would have sent shockwaves through the US financial markets, but for the moment the bond markets seem surprisingly relaxed. US Government *long bond yields* of around 9 per cent are not very different from what they were at the start of the year, even though the annual rate of inflation is expected to have risen from 4.4 per cent at the end of 1987, to 5.5 per cent at the end of this year, and could be running at an annual rate of perhaps 6½-7 per cent at the end of next year, according to New York brokers, Aubrey G. Lanston.

In a rather perverse way the bond market is taking strength from a perception that the news on the inflation front is not as bad as once feared. The US economy may not be quite as strong as is sometimes suggested, which *might explain why the Fed did* not raise its discount rate over the Memorial Day weekend; and unlike most other commodity prices, oil prices show little sign of rising. However, the real key is the dollar, which has been enjoying one of its longest periods of calm since it began its three-year slide. If tomorrow's US trade figures for April provide further support for the dollar, then it will underpin the recent rally in US bonds. But sooner or later this rather pleasant interlude will pass, and inflationary pressures will re-emerge as the bond markets' number one concern. When this happens the new-found confidence in the world's equity markets will be sorely tested.



Banco Central and Banco Banesto

The planned merger of Banco Central and Banesto into a new Spanish banking giant with a combined stock market capitalisation of close to $10bn never looked the happiest of marriages, because both partners rushed into the project for defensive reasons. While the Spanish authorities are anxious to see a rapid consolidation of the local banking system to meet international *competition, the preferred policy* was to merge strong bank with a weak bank. In this instance two Spanish banks with indifferent records are getting into bed together. Given the management and logistical problems of merging two inefficient banking giants, there must be a danger that the resultant institution, which will control over a quarter of the Spanish banking market, may not be as soundly based as the authorities might wish.

Since the merger was announced last month, the shares of both banks have shot ahead and are now trading at very demanding multiples, even by Spanish standards. This probably *has more to do* with efforts to prevent a dissident shareholder group – Cartera Central – from increasing its stake, than with any general enthusiasm for the deal. One only has to look at the UK to see that there is little evidence to suggest that bigger banks are more efficient than small banks, something the Spanish authorities should ponder before they insist that the merger must proceed on its present terms.

Put convertibles

When stock markets fall, it is the providers rather than the users of money that generally suffer. Yet UK companies must be beginning to regret their fashionable convertible bond issues of last year. At the time, it seemed a good idea to issue convertibles with put options attached. The companies believed the stockmarket would go on rising, and were therefore delighted to pay less interest by promising to buy back their shares in five years time at a premium of say 50 per cent over the current price – in the comfortable belief that the market would have risen enough by then to make the put worthless.

The 15 or so major UK companies which issued well over £1bn of this kind of debt in the months just before the crash must be feeling considerably less comfortable by now. Unless a powerful bull market sets in and stays for the next four years, most of these companies (which include Burton, Tesco, Storehouse, Smith & Nephew, Hillsdown, Next, Ratners and others) may find that the puts are exercised.

However, because they never *expected to pay up, their* accounts do not reflect any provision for the put. According to a recent study by Barings, the earnings of most of these companies are therefore overstated - some by as much as 14 per cent. So far *most of them have kept* quiet, perhaps on the grounds that four years is a long time in the stock market. P&O has been one of the first to act; but then, as the effect on its earnings will be barely 1 per cent, it can easily afford to do so.

Gucci

A house divided against itself to the extent of the House of Gucci not only cannot stand. *It is* positively asking to be pushed over by someone with a slightly less nepotistic view of business. Investcorp, the Bahrain investment bank which now appears to be able to speak for 50 per cent of Gucci's shares, seems to have known precious little about the company before launching its secret international raid on the stock – except that, whatever the Gucci brand name was worth under family management, it would be worth considerably more if the feuding could be stopped.

For the moment, though, Gucci is something of a ward of the Italian court. The other 50 per *cent shareholder, Maurizio Gucci,* is facing criminal charges and his stake votes through the medium of court-appointed custodians. So it is with the bureaucrats and not the family that Investcorp must make its peace in the first instance. After all, if the bank had its way, the two camps would share five board directors each – a perfect recipe for paralysis unless the one group can be persuaded to accept the superior entrepreneurial judgement of the other. Until Maurizio Gucci's 50 per cent holding is released from sequestration by the court, that is probably Investcorp's best hope of influencing the company in its chosen direction.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday June 13 1988

Ecu sector likely to shine in run-up to 1992

THE RUN-UP to 1992, as European trade and financial barriers are gradually lifted, could herald a significant new phase in the development of the Ecu-denominated sector of the Eurobond market, writes Dominique Jackson.

The European Community itself last week gave the clearest indication that the Ecu-bond market was due for a new lease of life by issuing a Ecu500m Eurobond, the largest Ecu deal ever, in an attempt to establish a new and liquid benchmark for the sector.

Lord Cockfield, vice-president of the European Commission, said last week that liberalisation of capital movements within the EC by 1992 would make the creation of a European central bank essential.

The development of the Ecu into a single currency for the united market would logically follow, he told a lunch for the international financial community in London.

Despite attempts by European banks to promote the Ecu as an investment currency, interest in Ecu-denominated bonds has been limited recently, largely due to relative stability within the European Monetary System.

However, Ecu bonds have benefited, along with all other non-US dollar currency sectors, from investor disaffection with dollar-denominated securities.

The Ecu bond market offers investors an ideal opportunity to diversify out of dollar holdings without committing their assets to any single alternative.

They can also share in the gains of Continental bond markets while reducing the risks of capital losses on foreign exchanges.

The yield premium of Ecu bonds over D-Mark denominated bonds has maintained demand for the composite currency from West German investors, who have shunned their domestic markets since the announcement of a 10 per cent withholding tax on domestic interest income from next year.

The Bundesbank appears to be encouraging this trend and last year lifted a ban on private Ecu bank accounts.

Nevertheless, the primary Ecu bond market was hit hard in the last quarter of 1987 when new issuance fell to Ecu760m from Ecu1.6bn in the third quarter of the year.

Total issuance for 1987 was Ecu7.9bn against Ecu9.4bn in 1986. Despite this apparent deceleration, viewed in line with the drop in issuance throughout the whole Eurobond market, the Ecu sector actually managed to reinforce its foothold last year, rising to 4.13 per cent of total new issue volume from 3.25 per cent in 1986.

This year's first real sign of a resurgence of interest in the sector was a wave of popular issues for quality borrowers in mid-May.

A revival of this nature is now usually linked to the appearance of arbitrage opportunities with Italy's domestic debt dominated in Ecu. Since last year, the Italian Treasury has been floating Ecu-denominated securities known as Buoni del Tesoro (BTE) with great success. Outstanding BTEs now have a total value in excess of Ecu2bn, much of which is held by foreign investors.

A well-received Ecu100m five-year deal for the World Bank was launched early this month, followed last week by the European Community and the European *Coal and Steel Community* borrowing jointly for increased liquidity.

An earlier plan to launch a Community-wide issue with separate tranches in different financial centres proved unworkable.

There was fierce bidding for the mandate on the issue from several banks, including many from outside the Community. Deutsche Bank in Frankfurt and *Banque Paribas in Paris* were finally appointed lead managers.

The six-year offering carried a coupon of 7⅝ per cent and was priced at 101⅜, deemed on the tight side.

The reception was not enhanced by widespread advance notice of its launch which depressed Ecu bond prices as dealers made room on their books for the new issue.

The deal was apparently delayed by last-minute difficulties in finalising the intricate swap package behind the issue. The complexity of arranging swaps in Ecu has historically limited issue size

It remains to be seen whether the EC issue and its mooted successors can provide effective and durable benchmarks for a sector which has traditionally been driven by retail investors many of whom tend to lock bonds away until maturity.

Many dealers questioned whether an upturn in market conditions would improve perceptions of the Ecu, the only Eurobond market currency which does not have a central bank behind it as a lender of last resort to give investors added confidence.

"Until the Ecu is metamorphosed into a coin in our pockets and investors have Ecu liabilities, giving them a reason to buy these bonds, the market's potential will be small," one analyst commented.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	98.7	0.0	1.0	6,900.5
Prev	3,773.7	0.0	0.0	7,634.9
Other	2,379.4	211.2	739.0	1,221.4
Prev	2,208.4	131.5	119.4	660.4
Secondary Market				
US$	12,454.1	1,133.9	4,660.8	4,626.3
Prev	16,923.9	1,032.4	7,129.1	4,796.7
Other	16,537.2	1,428.0	2,847.6	19,895.8
Prev	18,301.6	1,084.5	4,431.8	19,642.2

	Cedel	Euroclear	Total
US$	9,664.2	20,211.1	29,875.3
Prev	10,096.0	31,194.7	41,290.7
Other	20,216.5	25,043.1	45,259.6
Prev	22,047.7	24,532.1	46,579.8

Week to June 9, 1988 Source: AIBD

Financing of EuroDisney excites traders' interest

THE SPATE of tightly priced corporate financings for French borrowers which have been an important feature of the international loans market since last year appears to be all but over, writes Stephen Fidler in Basle.

Those that are left are not expected to achieve the same narrow margins and low costs as those which tapped the market earlier. The capital adequacy proposals agreed by the main central banks are beginning to have an effect, and most of the top-tier French companies have already established facilities, leaving mostly names of lower credit standing.

This may be one reason why the financing for the EuroDisney leisure park north of Paris is of so much interest. This facility of about FFr13bn originally called for FFr7.3bn to be raised through banks, FFr6bn through the Caisse des Dépôts et Consignations providing the French state portion, with the balance coming from equity holders, although it is not clear whether this will be its final shape.

Banque Nationale de Paris is said to have the mandate, but is understood to have invited six other banks to participate at a senior level: Crédit Agricole, Crédit Lyonnais, J.P. Morgan, Citicorp, Long-Term Credit Bank of Japan, and Deutsche Bank. The banks are considering their position now.

Elsewhere, Citicorp, which with Crédit Suisse First Boston closed the £875m Courage pub syndication last week after oversubscription, is raising about $220m for HC International Holdings.

The borrowings are secured on promissory notes issued by Bass of Britain to Holiday Inns in a $375m takeover of hotel assets last year. The financing follows the pattern of last month's syndication, secured againsts promissory notes issued by Marks and Spencer to finance its takeover of Brooks Brothers. The HC financing carries a 10 year maturity and a margin of 30 basis points over London interbank offered rate. Amortisations will be in two chunks: 50 per cent after five years and the rest at maturity.

Britain's First Mortgage Securities is establishing a £250m facility in three parts. It comprises a £50m term loan from Daiwa Bank, a £100m syndicated loan through Samuel Montagu and a £50m loan also to be syndicated for 100 per cent mortgages, arranged by Morgan Grenfell.

Morgan Grenfell was last week syndicating a £100m mortgage finance facility for Royal London Mutual Insurance. The transaction carries a 15 basis point commitment fee and an initial margin of 45 basis points.

CSFB is syndicating a $200m five year financing for Nokia, the largest Finnish private sector company. The tightly priced facility carries a four basis point facility fee for the first two years and five basis points for the remaining three. There is a margin of five basis points on drawings and utilisation fees of five basis points if more than one third drawn and seven and a half basis points if drawn more than two thirds.

CSFB is also in the market with a $100m five year revolving credit for Portland General, the US West Coast utility. There is a commitment fee of 10 basis points and margins of 25 basis points on the first half and 35 basis points on the second half.

The latest Japanese borrower with a commercial paper programme is Shimizu. The paper is guaranteed by Dai-Ichi Kangyo Bank and the programme arranged by J.P. Morgan. The UK property company Brent Walker is doubling the size of a sterling commercial paper programme arranged last June, to £100m. It is adding County NatWest and Svenska International to the existing dealer group of CIBC and Citicorp.

Barclays de Zoete Wedd has arranged a £100m certificate of deposit programme for CIC Union Européen's London branch.

ANZ Capital Markets has arranged a A$200m Euro-commercial paper programme with a medium term note option. Dealers are ANZ, Barclays, Commonwealth Bank of Australia, J.P. Morgan, Wardley and Westpac.

Morgan has also arranged with the International Finance Corporation a $50m export financing for Turk Dis Ticaret Bankasi, a Turkish private wholesale bank.

Big gains from share options for directors

By Clive Wolman in London

THE DIRECTORS and senior employees of newly floated companies have been making big tax-sheltered gains because of the share options granted to them in the six to 12 months before their companies went public.

This emerges from a survey published today of 120 companies joining the London Stock Exchange in 1987 which shows that on average the options quadrupled in value between the date of granting and date of flotation.

The original option price at the date of granting is fixed in negotiationswith the Inland Revenue. Most company directors seek as low a price as possible because all subsequent gains are free of income tax and subject only to capital gains tax which, at least until April, was levied at a much lower rate. However, lower option prices also mean greater dilution of the holdings of the other shareholders.

The survey, prepared by Mr David Cohen, a partner of Paisner and Co, the City of London law firm, shows for example that options in Caradon, the plastics and valves manufacturing company, were granted in July 1986 at a price of 7p but at the time of the flotation their intrinsic value, based on the share price, was 250p ($4.50).

Options in Debenham, Tewson and Chinnocks Holdings, the estate agents, were granted at 37p on May 28 1987 and by the flotation date seven weeks later were 170p.

About 90 per cent of the companies surveyed had an executive share option scheme. But participation was limited to a small number of key staff. The other two types of tax-privileged employee participation schemes, which have to be open to all full-time employees, were much less popular.

Investigators from insolvency company study Clowes papers

BY NICK BUNKER, JOHN EDWARDS AND IAN HAMILTON FAZEY

INVESTIGATORS from Cork Gully, the UK insolvency company, spent much of the weekend poring over documents relating to the troubled fund management empire of Mr Peter Clowes, in the wake of his decision late last week to hand over the records of his offshore companies based in Gibraltar and the Channel Islands.

Staff at James Ferguson Holdings, the parent company of the Barlow Clowes group, said a Cork Gully team led by Mr Michael Jordan were at the Mr Clowes's former headquarters in Cheshire until late on Sunday afternoon working on the case.

The activity over the weekend came amid hopes among financial intermediaries who placed money with Mr Clowes that some of the confusion about the £188m ($338m) Barlow Clowes affair could be cleared up at meetings they have been called to attend in London.

Intermediaries said they believed the meetings were due to occur either today or tomorrow at the London offices of Cork Gully and Ernst & Whinney, the two firms acting jointly as liquidators of Gibraltar-based Barlow Clowes International (BCI), Mr Clowes's main offshore company.

BCI was ordered into provisional liquidation by a Gibraltar court on Wednesday night, 10 days after the Securities and Investments Board in the UK petitioned for the winding up of Barlow Clowes Gilts Managers, Mr Clowes's main UK company.

The central question now troubling intermediaries is the whereabouts and investment position of about £138m placed by an estimated 11,000 private investors with BCI.

One north of England investment broker who placed business with Barlow Clowes said he was totally baffled about where the £138m might be invested. This was because of the wide variety of newspaper reports containing different versions of the story, including suggestions that some of it had passed through a Barlow Clowes company in Geneva, he said.

Mr Clowes himself could not be reached for comment by the FT yesterday but he stressed on Friday that if the matter was handled carefully all the £138m would be repaid to investors.

Another issue now troubling intermediaries however is the possible tax situation of many of the 11,000 investors in the offshore BCI fund.

They believe that any investors who mistakenly thought that earnings from their funds would be tax-free may face income tax demands, plus interest from the date any tax became payable, if the Inland Revenue's view of liability to taxation is accepted.

This means that such investors would not only face losing all or some of their capital, but of paying tax on its earnings too, according to Mr David Pine, a partner with the Manchester solicitors Alexander Tatham and Co, which is preparing to bring a *joint action on behalf of investors*.

The Inland Revenue said yesterday it was unable to comment on individual cases because it would breach the rule of confidentiality about taxpayers' affairs.

However, an official said that although offshore funds outside Britain could operate on a tax-free basis, UK residents were liable to pay tax on any proceeds received from overseas funds.

Whether this was classified as capital gains or income tax depended on whether the fund qualified for distributor status. If a fund pays out more than 80 per cent of its income, it can apply for distributor status and then any profits made are liable in the UK to capital gains tax instead of income tax. This was an important distinction before to this year's Budget, because the highest rate income tax at 60 per cent was double the capital gains tax rate.

UK GILTS

Policy signals fail to dispel uncertainty

THERE HAS been a lot of fog in the gilts market in recent weeks. Navigation has become difficult while policy signals, despatched by the Treasury and Bank of England in apparently clear conditions, have failed to dispel uncertainties.

Such confusion may not be entirely unwelcome to the monetary authorities. Stung by accusations of predictability in their response to exchange rate movements, they are keen to use surprise as a tactical policy weapon.

This partly explains the timing of the half-point rise in interest rates to 8.5 per cent at the beginning of last week – four days after the previous increase, also of half a point.

Last week's move was widely anticipated, if only because many remain unused to rises of less than a whole point. Nevertheless, there was surprise that it came so swiftly.

It was followed by four days of relative calm in both foreign exchange and gilts markets, prompting speculation that a period of some stability had begun. Although this is probably premature, the momentary pause allows an opportunity to re-examine some of the fundamentals.

In particular, analyses of the outlook for inflation are likely to come to the fore. This week, for example, sees figures for the retail price index, producer price indices and average earnings which will all be scanned for signs of an upturn in the underlying rate of inflation.

In spite of the Government's rhetoric about countering inflation, the key question is still whether the combination of base rates of 8½ per cent and sterling resting at about DM3.12 is a suitably tight policy stance.

Some revival of faith in that stance was reflected in a modest flurry of buying activity in the long end of the market at the beginning of last week. The assumption that interest rates would have to rise still further seems to have eased while some in the market are speculating that the next move will be downward.

Yet trade was not one way and there was no decisive trend. Prices of long-dated gilts were largely unchanged over the week with little sign of an outbreak from the narrow trading range the market has adopted since April.

Yields remained at about 9.3 per cent – slightly higher than about a month ago.

Given the forecasts of the majority of economists, pessimism about inflation seems a little irrational. The Treasury's comparison of independent forecasts in May pointed to an annual inflation of 3.9 per cent in the fourth quarter of this year, rising to 4.5 per cent at the end of 1989.

However, the range is skew. Few argue that inflation will fall much below 4 per cent, but some suggest the rate could be higher. At the extreme is a forecast of 9 per cent by the end of 1989.

In particular, two worries stand out. The first is the threat of higher unit labour costs. Thursday's labour market statistics are expected to show the underlying rate of growth of average earnings continuing at about 8¾ per cent.

A possible re-acceleration in productivity growth if the current weakness in output growth proves temporary may offset some of the impact on unit costs. So would a willingness on the part of manufacturers to trim their profit margins.

The second worry is less tangible but potentially more damaging to market confidence. It is the threat that imbalances in economic growth will lead to a general upward trend in prices. That is, the present pattern of growth will prove unsustainable and become inflationary.

Some analysts are concerned about the impact of exceptional demand growth in the south-east of England, particularly on house prices.

Others warn of the imbalance between the consumer demand and manufacturing output. If insatiable consumer spending leads to an ever increasing volume of imports, it is argued, the pound will eventually fall, leading to higher prices for imported goods.

There are other possible influences. Even if the overall stance of policy remains fairly constant, short-term rises in the pound's value, followed by sudden corrections and volatile interest rates, might produce blips in the inflation rate. Given this uncertainty, investors can perhaps be forgiven for holding back from the market.

Ralph Atkins

US MONEY AND CREDIT

Good technical picture adds to buoyant mood

ON FRIDAY, for the first time in two months of tightening monetary policy and fears of inflation rising, the yield on the US Treasury's benchmark 30-year bond dipped briefly below 9 per cent. The achievement left analysts wondering whether US interest had peaked or were merely taking a breather before resuming their climb.

Certainly, US credit markets have been keen to rally at the slightest provocation in the past couple of weeks. All it took for the bulls to frolic last Wednesday was a sprinkling of rain in Iowa. They argued the shower broke the spring drought which has been driving up grain prices and worries about inflation.

Even though the sun soon shone again over the prairies, the good mood lingered to Friday, enabling the markets to shrug off a 0.5 per cent rise in the producer price index in May, or 6 per cent at an annual rate.

It took a little massaging, though, to make the index look good. Stripped of food and energy, it rose at an annual rate of 3 per cent over the past three months. Those components, however, rose 8 per cent and 17 per cent at an annual rate respectively over the same period.

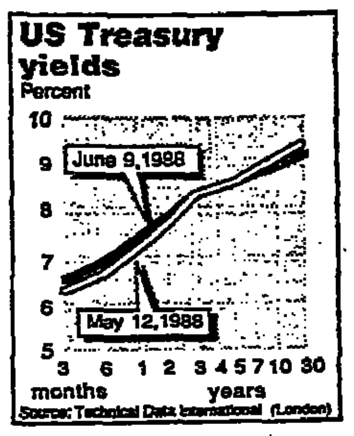
With the prospect of a 6 per cent annual inflation rate no better or worse than forecasts made in the past few months, some of the markets' buoyancy was attributed by analysts to a good technical picture. Dealers have worked off their short positions which stood at $26bn two weeks ago and near record levels in mid-May in the thick of the Federal Reserve Board's most recent tightening of monetary policy.

More importantly, the dollar is enjoying its most stable period since its steep devaluation was triggered in 1985 by the Plaza Agreement of finance ministers from the seven largest industrial countries. This stability may be tested, though, if anything less than policy harmony is apparent when the G7 leaders hold their annual summit in Toronto next week.

One of the most optimistic assessments of recent events came from the bond economists at Donaldson Lufkin & Jenrette.

They believe the inflation trend is weak enough to allow Treasury yields to fall to 8 per cent or 8¼ per cent by late summer. A level of 8½ per cent is possible in the next few weeks if comfortable April foreign trade figures tomorrow make possible a slight easing of the Fed funds rate to about 7¼ per cent.

Trade and a heavy load of other economic data this week will test the markets' urge to rally. The trade numbers in particular are harder to analyse because the Commerce Department reintroduced seasonally adjusted figures last week after a three and a half year gap.



However, the new statistical series should dampen some of the notorious volatility in the trade data. In fact, March's unexpected low deficit of $9.75bn, which had made markets nervous about an inflation-inducing pace of exports, turned out to be $11.95bn when seasonally adjusted.

April's seasonally adjusted deficit will be $12.3bn, according to the median of 32 forecasts, ranging from $10.6bn to $14bn, compiled by MMS, a California research firm. The consensus estimate on the unadjusted deficit is $12bn.

Seasonally adjusted, the deficit fell by $5.4bn between the fourth quarter of last year and the first of this. Nomura's London economists argue that, while the trends remain encouraging, "it is unlikely this pace of improvement will be maintained over the rest of the year. It is therefore too early to conclude that the dollar has touched bottom."

With further improvement of the US trade performance slow and erratic, "the leading central banks are clearly relying on the foreign exchange markets to remain patient and not to try to force the pace of trade adjustment by pushing the dollar lower."

Salomon Brothers is concerned, though, that the slow improvement in trade "is likely to disappoint market participants eventually and to provoke a new test of the dollar. To forestall another drop in the currency, ultimately monetary authorities would be required to raise US interest rates."

* * *

In addition to the trade figures on Tuesday, this week's other main economic data releases are:

● Retail sales for May, due on Wednesday, are forecast to have risen by 0.4 per cent from April, according to the median of 50 estimates ranging from minus 0.3 per cent to plus 1 per cent collected by MMS.

Although consumer confidence, as measured by the Conference Board, increased in May, economists are expecting only a moderate recovery in retail sales after April's 0.6 per cent slide.

● May's industrial production index will also be released on Wednesday. A gain of 0.3 per cent from April is the median of forecasts ranging from minus 0.1 per cent to plus 0.5 per cent. In spite of a further increase in car production, the index should show only a small gain compared with the 0.7 per cent rise in April. The main factor was the addition of only 16,000 new factory jobs last month compared with 55,000 in April.

● Business inventories and sales (Thursday) are both forecast to have increased 0.3 per cent in April from March. Estimates range from a drop of 0.1 per cent to a 0.5 per cent rise.

● Manufacturing capacity utilisation for May, to be released the same day, is forecast at 82.7 per cent, down slightly from April's 83 per cent.

● May's housing starts (Friday) are forecast to be 1.55m at a seasonally adjusted annual rate, according to the median of 48 estimates ranging from 1.48m to 1.62m. Starts probably declined last month from April's 1.56m because of higher mortgage rates.

Roderick Oram

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	7.36	7.34	7.18	7.78	6.27
Three-month Treasury bills	6.43	6.49	6.18	7.17	5.03
Six-month Treasury bills	6.65	6.74	6.88	7.65	5.41
Three-month prime CDs	7.53	7.50	7.25	8.28	6.77
30-day Commercial Paper	7.37	7.35	7.06	7.62	6.43
90-day Commercial Paper	7.47	7.40	7.19	8.05	6.47

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	98	0	8.77	8.77	8.80
20-year Treasury	102½	0	9.09	9.09	9.21
30-year Treasury	100⅝	+⅛	9.05	9.05	9.17
New 10-year "A" Financial	n/a	n/a	9.70	9.88	9.95
New "AA" Long utility	n/a	n/a	10.25	10.25	10.25
New "AA" Long industrial	n/a	n/a	10.13	10.13	10.20

Source: Salomon Bros (estimates).

Money supply: In the week ended May 30, M1 rose $2.1bn to $771.2bn.

NRI TOKYO BOND INDEX

December 1983 = 100	June 9	Average yield (%)†	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	144.21	4.48	144.07	143.18	138.78
Government Bonds	144.78	4.20	144.69	144.15	139.34
Municipal Bonds	145.94	4.82	145.74	144.56	139.77
Govt.-guaranteed Bonds	147.43	4.80	147.20	145.96	140.79
Bank Debentures	138.18	4.31	138.05	137.03	134.41
Corporate Bonds	144.07	5.30	143.93	142.41	138.02
Yen-denom. Foreign Bonds	145.01	6.39	144.82	142.79	139.12
Government 10-year†	4.97	–	4.95	4.87	5.26

† Estimated par yield

Source: Nomura Research Institute

Terms of Saudi issue disclosed

By Our Financial Staff

SAUDI ARABIA on Saturday opened subscriptions for the first tranche of a SR30bn ($8bn) domestic bond issue, disclosing terms which appear designed to counteract misgivings by Islamic conservatives.

Instead of being linked to US Treasury yields, as had been thought, the bonds will pay a return based on the cash flow of certain state projects. Bankers said this was aimed at avoiding the issue of interest, which is prohibited under Islamic Sharia law.

In the first SR1.5bn tranche in what is planned to be a weekly programme, the so-called development bonds carry maturities from one to five years. Bids, which are being sought from local banks, are due today.

Banks already subscribe regularly for short-term security deposits – a SR1.5bn, 30-day offering on Saturday was made as usual at a yield of just under 7.81 per cent.

The plan to issue bonds has dominated the riyal interbank market since the start of the year and rates rose last week to touch an 18-month high as banks moved to take out long positions in case of a liquidity squeeze.

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABN AMRO 8½ 91	150	98½	0	9.13
AETNA LIFE & CAS 7¾ 16	200	94½	+⅛	8.25
AMFC?S FIN 11¼ 94	100	101¼	0	11.36
AIDC 11 89	75	101½	+⅛	8.91
ALBERTA 7¾ 91	750	96	+⅛	8.72
ALCOA AUSTRALIA 11 92	80	101¼	-⅛	10.45
AUSTRALIA 11½ 90	100	104¼	-⅛	9.16
AUSTRALIA 11¾ 00	150	108	+⅛	10.07
AUSTRIA 7⅞ 97	200	89⅞	+⅛	9.60
AUSTRIA 9½ 90	250	100	+⅛	8.48
BANK OF TOKYO 8⅞ 96	100	92⅞	+⅛	9.71
BANK OF TOKYO 11 90	125	103¼	+⅛	9.03
BANK OF TOKYO 11⅞ 90	100	106	+⅛	9.05
BANK OF TOKYO 13⅞ 89	100	105⅛	+⅛	8.93
BARCLAYS JERSEY 10⅝ 90	250	102⅞	0	8.84
BARCLAYS JERSEY 10⅝ 95	250	104⅛	+⅛	9.69
BELGIUM 7¼ 93	250	95⅛	+⅛	9.01
BELGIUM 7⅞ 91	300	97⅛	+⅛	8.93
BELGIUM 9¼ 92	400	100⅛	+⅛	9.06
BETAWEST PROP 7⅞ 93	150	93⅛	0	9.37
B F C E 7⅛ 93	100	92⅛	+⅛	9.26
B F C E 7⅞ 97	150	89⅛	+⅛	9.64
BK NOVA SCOTIA 7⅞ 91 SW	150	96⅛	+⅛	9.34
B N P 8⅞ 93	125	97⅛	+⅛	9.50
B N P 13⅞ 89	150	105⅛	+⅛	8.96
BP CAPITAL 9⅝ 93	150	101⅞	+⅛	9.21
BP CAPITAL 11⅛ 92	150	104⅞	+⅛	9.46
BR COL HYDRO 11⅛ 93	200	109⅞	+⅛	9.30
CAMPBELL SOUP 10⅛ 95	100	103⅛	+⅛	9.37
CANADA 10⅞ 88	500	100⅛	-⅛	8.72
CANADA 11½ 90	500	104⅞	+⅛	8.58
CANADIAN IMP BK 16⅛ 92	100	103⅛	-⅛	15.14
CANADIAN NAT RAIL 14⅞ 91	100	103⅞	0	13.09
CANADIAN PACIFIC 7½ 96	100	87½	+⅛	9.83
CANADIAN PACIFIC 10⅛ 93	100	103½	+⅛	9.83
CANADIAN PACIFIC SECS 15 89	75	106⅛	0	9.07
C C C E 7⅛ 91	113	94⅞	+⅛	8.93
C C C E 9⅛ 95	300	99	+⅛	9.44
CENTRUST SAVINGS 0 10	1,280	10⅛	+⅛	10.88
CEPME 7⅛ 92	125	94⅛	+⅛	9.03
CHEVRON CORP 8⅛ 96	300	92⅞	+⅛	9.62
CITICORP 11⅛ 92	100	101½	+⅛	11.18
COLGATE-PALMOLIVE 9½ 96	100	99⅞	+⅛	9.62
COMM BK AUSTRALIA 10 93	100	102⅞	+⅛	9.27
COMM BK AUSTRALIA 12⅛ 89	100	104⅛	0	8.88
CONTINENTAL GRP 11⅛ 93	75	96⅛	0	12.37
COUNCIL OF EUROPE 8 96	100	91⅛	+⅛	9.59
CREDIT FONCIER 7½ 94	150	92½	+⅛	9.28
CREDIT NATIONAL 7⅞ 92	100	96⅛	+⅛	9.02
DART & KRAFT A 10⅛ 96 SW	100	100⅛	+⅛	10.10
DENMARK 0 98	250	38⅛	+⅛	9.96
DENMARK 7½ 92	500	93⅞	+⅛	9.14
DENMARK 8⅛ 91	300	98⅛	+⅛	8.93
DENMARK 11½ 92	100	107½	+⅛	9.04
DENMARK 13⅛ 91	100	110⅛	-⅛	9.26
DEUTSCHE BK FIN 13½ 89	200	105⅛	+⅛	8.87
DKB ASIA 8⅛ 91	100	97⅛	+⅛	9.00
E.C.S.C 7 89	75	97⅞	+⅛	8.84
E.C.S.C 8⅛ 96	193	92½	+⅛	9.36
E.E.C 7⅛ 93	250	93⅛	+⅛	9.00
E.E.C 9⅛ 90	350	101⅞	0	8.58
EIB 7⅛ 93	150	94	+½	9.20
EIB 7⅛ 96	250	90½	+⅛	[illegible]
EIB 8⅛ 93	100	97⅛	+⅛	[illegible]
EIB 10⅛ 94	200	103½	+⅛	[illegible]
EIB 11 91	125	105⅛	+⅛	[illegible]
EIB 11⅞ 91	73	105½	+⅛	[illegible]
EKSPORTFINANS 0 96	360	55⅛	+⅛	[illegible]
ELEC DE FRANCE A 10⅛ 95	100	101⅞	+⅛	[illegible]
ELEC DE FRANCE 14⅛ 89 XW	200	104½	+⅛	[illegible]
ELI LILLY 10⅛ 90	150	104⅛	+⅛	[illegible]
EMERSON ELECTRIC 9⅛ 95 SW	100	101⅛	+⅛	[illegible]
ENGELHARD CORPN 11⅞ 92	100	104	+⅛	[illegible]
EQUITABLE LIFE 10⅛ 92	100	102⅞	+⅛	[illegible]
EUROFIMA 9⅛ 96	100	98⅛	+⅛	[illegible]
EUROFIMA 12⅛ 89	75	104⅛	0	[illegible]
EXPORT DEV CORP 8⅛ 91	200	98⅞	+⅛	[illegible]
EXPORT DEV CORP 10 90	100	102½	+⅛	[illegible]
EXPORT DEV CORP 12 89	100	103⅞	0	[illegible]
FARM CRED CORP 7½ 93	100	91⅛	+⅛	[illegible]
FINLAND 7⅞ 97	200	89⅛	+⅛	[illegible]
FINLAND 12⅛ 94	75	111	+⅛	[illegible]
FINNISH EXPORT 8½ 92	200	98⅛	+⅛	[illegible]
FINNISH EXPORT 8⅛ 92	150	98	+⅛	[illegible]
FORD MOTOR CREDIT 8⅛ 90	250	100⅛	+⅛	[illegible]
FORD MOTOR 10½ 93	150	103⅞	+⅛	[illegible]
FORSMARKS 8⅛ 91	100	99⅛	-⅛	[illegible]
FUJI INTL 10⅞ 90	100	103⅛	+⅛	[illegible]
GAZ DE FRANCE 12⅛ 93	175	108	+⅛	[illegible]
GEN.ELEC CRED. 9⅛ 91	100	100⅛	+⅛	[illegible]
GEN.ELEC.CRED. 12 94	200	107⅛	+⅛	[illegible]
GMAC 7 90	300	97½	+⅛	[illegible]
GMAC 10 92	250	102⅞	0	[illegible]
GRAM FINANCE 13⅛ 89	100	100⅞	-⅛	[illegible]
GULF CANADA 14⅛ 92	100	105⅛	+⅛	[illegible]
GZB 14 91	100	111	+⅛	[illegible]
HEWLETT-PACKARD FIN 0 91	150	80⅛	+⅛	[illegible]
HIRAM WALKER 16 89	75	104½	+⅛	[illegible]
IBM CREDIT CORP 6⅛ 90	300	97⅛	+⅛	[illegible]
IBM WORLD TRADE 7⅛ 93	150	94⅛	-⅛	[illegible]
IBM WORLD TRADE 12⅛ 92	200	105½	0	[illegible]
IC INDUSTRIES 12 90	75	103½	+⅛	[illegible]
INCO 9 92	100	96⅛	+⅛	[illegible]
IND BK JAPAN 10⅛ 92	100	103⅛	+⅛	[illegible]
IND BK JAPAN FIN 7⅞ 97	200	88⅞	+⅛	[illegible]
IND BK JAPAN FIN 8 93	150	95⅛	+⅛	[illegible]
INTER AMER DEV 12⅛ 91	150	109⅛	+⅛	[illegible]
ITALY 8⅛ 91	200	100	+⅛	[illegible]
ITALY 9⅛ 96	150	98⅛	+1	[illegible]
ITT ANTILLES 11½ 92	100	105⅛	+⅛	[illegible]
ITT CREDIT CORP 10½ 90	75	102⅛	+⅛	[illegible]
JAPAN AIR LINES 8⅛ 96	150	91⅞	+⅛	[illegible]
JAPAN DEV.BK. 8 94	150	94⅛	+⅛	[illegible]
JAPAN DEV.BK. 10 92	100	101⅛	+⅛	[illegible]
KELLOGG 10⅞ 90	100	101⅛	0	[illegible]
LIBERTY MUTUAL 8½ 96	150	95⅛	+⅛	[illegible]
LOCKHEED CORPN 7⅛ 89	150	98⅛	+⅛	[illegible]
LTCB 11 90	100	103	+⅛	[illegible]
LTCB 11 90	100	103	+⅛	[illegible]
LTCB FIN 11⅞ 89	100	102⅞	+⅛	[illegible]
MANITOBA 7½ 96	150	88⅛	+⅛	[illegible]
MANITOBA 8⅛ 91	125	100⅛	+⅛	[illegible]
MANITOBA 13⅛ 89	100	105⅛	-⅛	[illegible]
MARKS & SPENCER 8⅛ 96	150	93	+⅛	[illegible]
MARUBENI 11½ 91	100	104⅞	+⅛	[illegible]
MERCEDES CREDIT 7⅛ 93	100	93⅞	+⅛	[illegible]
MERCEDES CREDIT 7½ 93	100	94⅞	+⅛	[illegible]
MERRILL LYNCH 8 93	200	92½	+⅛	[illegible]
MERRILL LYNCH 9 89	200	99⅞	+⅛	[illegible]
METLIFE FUNDING 7⅞ 96	150	89	+⅛	[illegible]
MITSUBISHI CORP 10⅛ 92	100	102⅛	+⅛	[illegible]
MITSUBISHI EST 10⅛ 92	50	101⅛	+⅛	[illegible]
MITSUBISHI FIN(HK) 11⅞ 90	100	104½	+½	[illegible]
MITSUBISHI FIN(HK) 12⅛ 91	100	108⅛	+⅛	[illegible]
MITSUI TST FIN HK 12 91	100	105½	+⅛	[illegible]
MOBIL CORPN 10⅛ 90	200	102	+⅛	[illegible]
MORGAN GTY TST 12⅛ 89	150	104⅛	0	[illegible]
MORGAN J P 11⅛ 92	100	103⅛	0	[illegible]
MOTOROLA 12 94	75	107⅛	+⅛	[illegible]
MOUNT ISA FIN 11 95	100	100	+1	[illegible]
NAT WEST FIN 11⅛ 92	150	107	0	[illegible]
NED GASUNIE 11⅛ 90	75	103⅞	+⅛	[illegible]
NEW ZEALAND 7⅛ 89	300	98⅛	+⅛	[illegible]
NEW ZEALAND 7½ 91	200	96	+⅛	[illegible]
NEW ZEALAND 7⅛ 91	250	95⅞	+⅛	[illegible]
NEW ZEALAND 8 93	100	95½	+⅛	[illegible]
NEW ZEALAND 8⅛ 93	150	96⅛	+⅛	[illegible]
NEW ZEALAND 10⅛ 95	200	100⅛	+½	[illegible]
NIPPON CRED BK 13⅞ 89	100	104⅞	+⅛	[illegible]
NIPPON TEL & TEL 7½ 94	150	92⅛	+⅛	[illegible]
NISSHO IWAI 10⅛ 92	100	103⅛	+⅛	[illegible]
NOVA SCOTIA 11⅛ 91	100	101⅛	-⅛	[illegible]
N.S.W. TREASURY 11⅛ 90	150	104⅞	+⅛	[illegible]
OLYMPIA & YORK 8⅛ 96	435	90⅛	+⅛	[illegible]
ONTARIO HYDRO 10⅛ 90	250	102⅞	+⅛	[illegible]
ONTARIO HYDRO 11⅛ 89	200	103⅛	0	[illegible]
ONTARIO HYDRO 11⅛ 94	200	109⅛	+⅛	[illegible]
ONTARIO HYDRO 11⅛ 90	200	105⅛	+⅛	[illegible]
ONTARIO HYDRO 13½ 91	100	110⅛	+⅛	[illegible]
ONTARIO HYDRO 14⅛ 89	150	104⅞	0	[illegible]
ONTARIO HYDRO 15 92	150	119	+⅛	[illegible]
OSTER KONTROLLBANK 8⅛ 93	200	96⅛	+⅛	[illegible]
OSTER KONTROLLBANK 9⅛ 92	200	100⅛	+⅛	[illegible]
PACIFIC GAS & ELEC 12 00	75	109	+⅛	[illegible]
PENNEY J C. 12⅛ 91	100	105	+⅛	[illegible]
PEPSICO INC 7⅛ 93	200	93⅛	+⅛	[illegible]
PEPSICO CAPITAL 8⅛ 91	100	99⅛	+⅛	[illegible]
PETRO-CANADA 7⅛ 96	200	87½	+⅛	[illegible]
PHILIP MORRIS 9⅞ 98	200	99⅞	+½	[illegible]
POSTIPANKKI 11⅛ 90	75	103⅛	+⅛	[illegible]
PROCTER & GAMBLE 10 95	150	103⅛	+⅛	[illegible]
PRU.RLTY.SECS 0 99	365	35⅞	+⅛	[illegible]
QANTAS AIRWAYS 8⅛ 96	97	94⅛	+⅛	9.73

	Issued	Bid price	Chg on week	Yield
SANWA BANK 1⅛ 02	300	103⅛	+3⅛	1.17

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on JUNE 6

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

FRENCH STOCK EXCHANGE

Council to discuss FFr500m losses

THE FRENCH Stock Exchange council is due to meet in Paris this afternoon to discuss the trading losses of nearly FFr500m ($86.2m) it made last year on its own reserve funds.

The losses, disclosed on Friday, have stunned many leading French stockbrokers and reports are circulating that Mr Xavier Dupont, the exchange's chairman, may be asked to resign.

Several brokers have been angered that the losses incurred after last October's stock market crash by the then Chambre Syndicale des Agents de Change, since transformed into the Société des Bourses Françaises by the stock exchange reform legislation of the last government, were concealed from them.

The stock exchange statement on Friday was made only after increasingly insistent rumours during the week had forced a reaction.

The losses, incurred in November and December rather than at the time of the crash itself, appear to have wiped out more than a quarter of the value of the stock exchange reserve funds. These are used to indemnify clients in the event of a broker's default, and each broker contributes a proportion of annual turnover.

Mr Dupont said in March that reserve funds stood at about FFr1.6bn.

The stock exchange said the losses stemmed from dealings on its portfolio of bonds, negotiable securities and financial futures. It said an employee who resigned at the end of 1987 had "taken advantage of the inadequate organisation and control of his department to increase his positions in the hope of turning round an already compromised situation."

The statement said the losses were covered by the stock exchange's reserves and provisions and did not break into the exchange's FFr1.08bn capital or affect the overall safety of the market.

Nevertheless, the loss is the largest so far revealed by a French investing entity in the wake of the October crash, and has caused grave anxieties in the French financial community.

It reinforces the inferiority complex adopted by many French bankers in the face of the more developed Anglo-Saxon financial markets and could cast a pall over Paris's ambition to become the leading financial centre of Continental Europe.

Particularly galling was the fact that the revelation came on the day the French Treasury, which has played a leading role in modernising the stock exchange and financial markets, had invited international commentators and institutions to Paris for a televised spectacle vaunting the merits of French government bonds.

Initial reactions from overseas investors suggest, however, that any damage done to the image of the Paris Stock Exchange is likely to be limited.

UK brokers contacted yesterday said the losses might create some ribald jokes at the exchange's expense, but would not shake investors' confidence.

One London analyst said: "No one is going to start saying France is turning into a banana republic. This could have done some damage in Australia or even Canada, where there are growing worries about the currency to put off investors, but the French franc is on the way to becoming almost a hard currency."

UAE to start charging banks for licences

By Robin Allen in Dubai

THE CENTRAL bank of the United Arab Emirates is to start charging all commercial banks and financial institutions licensing fees in an apparent effort to offset some of the expenses arising from its banking supervision.

Although the scale of charges is low compared with Bahrain, for example, which has charged licence fees for many years, their imposition is prompting consultations among bankers.

A foreign bank with the maximum eight branches allowed will have to pay Dh120,000 ($32,680) in the first year. Investment banks are to pay Dh40,000 a year and representative offices Dh20,000. Fees for 1988 are payable this month.

The reaction from the Emirates Bankers Association, however, casts some doubt on when and how the directive will be enforced.

Mr Abdullah al-Ghurair, president of the association, has telexed all banks asking them not to pay until members – comprising foreign as well as local banks – have discussed the plan with the central bank.

The scale, which charges Dh50,000 for a head office and an additional Dh10,000 for each branch, could hinder marginally profitable local banks.

Baltica to seek London listing

BY HILARY BARNES IN COPENHAGEN

BALTICA HOLDING, parent of the Baltica Insurance group and a growing family of other financial service companies, is to seek a listing on the London Stock Exchange.

The listing wil be accompanied by a share issue worth about DKr270m ($41.3m) at current prices.

Baltica Holding shares have risen sharply ahead of the provisional board decision, due to be confirmed on Thursday. The rise is attributed to final approval for the group's acquisition of Falck, a vehicle rescue, ambulance and fire service group, and its intention to set up a national chain of estate agencies.

Mr Peter Christoffersen, chief executive, said the decision to seek a London listing was part of the group's strategy to become international.

● East Asiatic, the Danish international trading group, has reported "significant progress" in pre-tax earnings in the first quarter, although no figures have been given.

The trend is forecast to continue for the full year.

Dyno Industrier lifts profit to NKr132m

BY KAREN FOSSLI IN OSLO

DYNO INDUSTRIER, the Norwegian diversified industrial group, increased its operating profit in the first four months of 1988 by 44 per cent, to NKr132m ($21m) from NKr92m, as sales rose 25 per cent to NKr1.67bn.

Mr Hans Bjoentegaard, Dyno president, said: "We are very pleased with the first four months and especially our explosives operations, where we have made our heaviest investments in recent years, which are showing satisfactory profit growth." Sales by the explosives side improved by 26 per cent to NKr824m.

In chemicals, turnover was up 53 per cent to NKr464m, while plastics were ahead 7 per cent to NKr241m over the same period last year, an increase of NKr37m. However, a downturn was experienced by the construction machinery division.

Dyno is optimistic for the year as a whole. Mr Bjoentegaard said that although profits were expected to increase, trading cycles for some business sectors made further developments difficult to predict.

Kone doubles earnings on 10% increase in sales

BY OLLI VIRTANEN IN HELSINKI

KONE, THE Finnish lift and materials handling group, pushed pre-tax profits nearly two and a half times higher in the first four months of the year, to FM52.8m ($12.9m) from FM21.6m, on a 10 per cent increase in sales to FM1.71bn.

The lift division, which is the third biggest lift manufacturer in the world, increased sales 16 per cent to FM1.15bn, while materials handling equipment grew by less than 2 per cent to FM511m.

The group received new orders worth FM1.82bn during the first four months, and Mr Matti Matinpalo, president, expects sales to emerge about 5 per cent ahead for the full year. Earnings are expected to "develop favourably."

HK plan for securities commission criticised

By Kevin Hamlin in Hong Kong

THE FORMATION of a new securities commission for Hong Kong is inadequately defined and could become "alienated from the industry it is to oversee," the territory's Futures Exchange says.

The exchange was commenting on proposals by the Securities Review Committee, headed by Mr Ian Hay Davison, former chief executive of Lloyd's of London, which was appointed by the Government to recommend reforms in the local securities business.

The committee has proposed a new securities commission outside the Civil Service and recommends it appoint a committee to advise on matters of policy and market development.

But it says the advisory committee, as part of an independent watchdog body, should be made up of members from outside the futures and stock exchanges and their clearing houses.

At the end of last week, the Futures Exchange voiced its opposition to this structure, arguing that representatives from the exchanges would enable the advisory committee to keep abreast of industry developments, concerns and problems.

Last October's markets crash caused the HK$2bn (US$256.4m) collapse of the Futures Exchange, which was rescued by the Government, banks and futures brokers. It has been run by a new management team since shortly after its failure.

● Bond Corporation International, the Hong Kong arm of Mr Alan Bond's Australian empire, has arranged a US$225m credit to finance its acquisition of a controlling stake in Compania de Telefonos de Chile (CTC), the Chilean telephone company.

First National Bank of Chicago is arranging the loan, and has underwritten the first tranche of $100m. This is being used to refinance Bond's purchase of 30 per cent of CTC for $122m in January. The rest will fund participation in a $149m CTC rights issue expected from CTC, which will then be 45 per cent owned by Bond.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Shinko Shoji Co.♦♦	65	1993	5	4¼	100	Daiwa Europe	4.250
Itoki Kosakusho Co.♦♦	50	1993	5	4¼	100	Nomura Int.	4.250
Copyer Co.♦♦	40	1993	5	4¼	100	Daiwa Europe	4.250
Kato Spring Works♦♦	40	1993	5	4¼	100	Yamaichi Int.(Eur)	4.250
Asahi Chemical Ind.♦♦	300	1993	5	4⅛	100	Nomura Int.	4.125
Daido Sanso♦♦	50	1993	5	4¼	100	Yamaichi Int.(Eur)	4.250
Sapporo Breweries♦♦	300	1993	5	4⅛	100	Yamaichi Int.(Eur)	4.125
Uny Co.♦♦	150	1993	5	4⅛	100	Nomura Int.	4.125
Fuji Bk (Luxembourg)♦	40	1993	5	0	65.52	Fuji Int. Finance	8.824
Okasan Securities♦	50	1993	5	(4¼)	100	Okasan Int.(Europe)	★
American General♦	100	1995	7	9⅝	101¼	CSFB	9.497
Eurofima♦	100	1993	5	9¼	101⅞	Nikko Secs (Europe)	8.771
Kokusai Securities♦	100	1993	5	(4¼)	100	Nomura Int.	★
Tokyu Land♦	150	1993	5	(4¼)	100	Yamaichi Int.(Eur)	★
Export Dev.Corp.♦	150	1998	10	9½	101	CSFB	9.342
World Bank♦	300	1993	5	9	101½	Deutsche Bk Cap.Mkts	8.618
Statoil♦	250	1992	4	9¼	101⅛	CSFB	8.827
Mitsubishi Kasei♦	200	1993	5	(4¼)	100	Yamaichi Int.(Eur)	★
Japan Synthetic Rubber♦	100	1993	5	(4¼)	100	Nomura Int.	★
Goodyear Tire & Rubber§	150	2003	15	(6¼)	100	CSFB	★
CANADIAN DOLLARS							
Ford Credit Canada♦	100	1993	5	10¼	101⅝	Deutsche Bk Cap.Mkts	9.823
Province of Manitoba♦	150	1998	10	9⅞	101	Wood Gundy	9.714
Royal Bank of Canada♦	100	1991	3	10¼	101.35	RBC Dominion Secs.	9.710
Credit Lyonnais♦	75	1991	3	10¼	101¼	Bankers Trust Int.	9.626
Montreal Trustco♦	100	1993	5	10¾	101¼	Goldman Sachs Int.	10.285
Hypobank Int.♦	75	1992	4	10⅛	101⅝	Bankers Trust Int.	9.694
Imasco♦	100	1993	5	10½	101⅝	McLeod Young Weir	10.169
ASLK-CGER Finance♦	75	1991	3¼	10⅛	101⅝	Bankers Trust Int.	9.580
AUSTRALIAN DOLLARS							
Forsmarks Kraftgrupp♦	70	1992	4	13	101½	Svenska Int.	12.501
Cerinvest♦	50	1991	3	13½	101.80	Westpac Banking	12.741
Standard Elec.Lorenz♦	40	1991	3	13	101½	Commerzbank	12.371
World Bank♦	150	1993	5	12¾	101⅞	ANZ Merchant Bank	12.227
Toronto Dom. Australia♦	50	1991	3	13¼	101⅝	Hambros Bank	12.619
D-MARKS							
Farming Finance♦	200	1998	10	6⅜	100⅝	CSFB-Effectenbank	6.662
Jutland Telephone♦	100	1995	7	6	100	Dresdner Bank	6.000
Deutsche Bank Finance♦	500	1993	5	5¼	100¼	Deutsche Bank	5.076
Akzo NV♦	200	1993	5	5⅜	101	Deutsche Bank	5.143
SWISS FRANCS							
Yuraku Real Estate★★§♦	90	1994	-	⅞	100	SBC	0.750
Denki Kogyo Co.★★§♦	30	1993	-	⅞	100	UBS	0.752
Asahi Chemical Ind.★★§♦	200	1993	-	⅝	100	UBS	0.625
Fuji Kiko Co.★★§♦	30	1993	-	⅝	100	Handelsbank NatWest	0.626
Chisan-Tokan★★§	60	1992	-	(1)	100	Credit Suisse	★
City of Kobe♦	150	1998	-	4⅝	100⅞	UBS	4.577
Malaysia♦	100	1998	-	5¼	100¼	Credit Suisse	5.217
Wolters Kluwer§	125	1998	-	3¾	100	Credit Suisse	3.750
CIR Int.♦	100	1993	-	3	100	Warburg Soditic	★
Yusen Air&Sea S'vice★★♦	25	1993	-	4½	100½	Mitsubishi Bank	4.472
Takara Standard★★§	60	1993	-	(⅜)	100	Bank Julius Baer	★
STERLING							
Maes Funding No.1(b)‡♦	200	2018	7½	32½bp	100	J.P. Morgan Secs.	-
Nikko Securities♦	50	1993	5	(4½)	100	Nikko Secs (Europe)	★
Nikko Securities♦	50	1994	6	(5¾)	100	Nikko Secs (Europe)	★
Rank Organisation (d)♦	50	2008	20	10⅝	99.935	Samuel Montagu	10.633
EIB♦	70	1994	6	9½	100⅞	Baring Brothers	9.303
Nationwide Anglia(e)‡♦	75	1998	8	⅝	100	CSFB	-
ECUs							
Credit Foncier (a)♦	70	1994	6	7⅝	101⅞	Nikko Secs (Europe)	7.229
European Communities♦	500	1994	6	7⅜	101¼	Deutsche Bank	7.255
Credit National♦	150	1991	3	7¼	101⅝	Banque Paribas	6.729
YEN							
Kansallis-Osake-Pankki♦	6.5bn	1993	4¾	0	82.195	Mitsui Trust Int.	4.214
Cie Bancaire♦	5bn	1992	4	(c)	101¼	Morgan Stanley Int.	-
Mitsui & Co. (f)♦♦	10bn	1993	5	5	101⅞	Nomura Int.	4.572
San Paolo Bank (g)♦	10bn	1992	4	7¼	101⅝	Salomon Brothers	6.773
Fed. Nat. M'gage Ass.♦	10bn	1993	5	0	82.8148	Mitsui Trust Int.	3.843
NKK Int. Finance♦	8bn	1992	4	7.6	111.825	Nikko Secs (Europe)	4.318
NKK Int. Finance (f)♦♦	10bn	1993	5	5	101⅞	Nomura Int.	4.572

★Not yet priced. ★★Private placement. ‡Floating rate note. ♦With equity warrants. §Convertible. ◊Dual-currency. ♦Final terms.
(a) Fungible with two earlier issues - issued April and Dec. 1987. (b) 32½bp over 3m Libor first 10 years, 50bp thereafter. (c) 5 step-up coupon: 4% first 2 years, 6¾% remainder. (d) Partly paid. (e) ⅝% over 3m Libor. (f) Redemption linked to US$. (g) Redemption linked to Nikkei Dow stock index. Note: Yields are calculated on AIBD basis.

Gulliver may be behind Harris Queensway bid

BY VANESSA HOULDER

MR JAMES GULLIVER, the outgoing chairman of Argyll Group, the supermarket chain, is understood to be behind a consortium takeover approach to Harris Queensway, the troubled carpet and furniture retailer.

The consortium is advised by Charterhouse Bank, which put together the £505m management buy-out of MFI last October and the institutional buy-out of Woolworth in 1982.

The Harris Queensway talks have at least a week to go. Five weeks ago, Harris Queensway disclosed that it had received an approach, at the same time as it unveiled a sharp fall in its 1987-88 pre-tax profits from £50.1m to £16.9m. Two weeks later the company revealed that the bidder was an unspecified consortium and the bid would be made on a leveraged basis – that is, financed by bank loans. The outcome was unlikely to be known for another four weeks, it added.

The Charterhouse consortium is thought to be the suitor alluded to at the time of the results. However, there is speculation that rival bids may have emerged.

During a long business career, Mr Gulliver built up the Fine Fare supermarket group and Argyll. Last November, he announced that he would step down from the chairmanship of Argyll in September. The decision followed a severe disappointment over the loss of the takeover battle for Distillers to Guinness.

Mr Gulliver has retained a high reputation for his business skills in the City. He is, in addition, chairman of Broad Street Group, the PR agency, Jacksons Bourne End, a shoe components business that is moving into property, and Waverley Cameron, the Scottish stationery maker.

Harris Queensway's share price movements over the past five weeks have reflected the uncertainty surrounding the bid proposals. The first news of the bid approach pushed the shares 46p higher to 171p. They then drifted back to stand at 148p at the time of the second announcement three weeks ago. On Friday, the shares closed at 163p, capitalising the company at £381m.

Great Universal Stores owns 23.4 per cent of the company with Sir Phil Harris, its chairman, holding 16.5 per cent.

Harris, which takes in Carpetland, Times Furnishings and Poundstretcher as well as the Queensway furniture chain and Harris Carpets, is estimated to have more than a 10 per cent share of the fragmented UK furniture and carpets market. The group's portfolio of retail sites, totalling 8m sq ft of sales area, may also attract bidders.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Apricot Comp.	June 15	Final due	Freshbake Fd.	June 15	Final 1.8
* Argyll Group	June 21	Final 6.0	* Jhns Matthey	June 16	Final 3.5
* Bassett Food	June 15	Final due	MK Electric	June 24	Final 8.3
BET	June 16	Final 5.5	* M Halifax	June 23	Final 4.5
* BPB Inds	June 30	Final 8.0	* Metal Box	June 21	Final 4.05
Beristord	June 18	Interim 4.0	* Meyer Int	June 21	Final 4.85
* Br. Gas	June 16	Final 4.0	* Nthn Foods	June 14	Final 4.75
Cable & Wire	June 24	Final 3.5	* Pilkington	June 15	Final 15.5
* Chloride	June 17	Final 1.9	* Racal	June 20	Final 2.485
* EMAP	July 18	Final 2.13	Steed & Simp.	June 25	Final 2.7
ERF	June 24	Final due			

Hawker set to expand further in the US

By Vanessa Houlder

Hawker Siddeley, electrical and mechanical engineering group, is today expected to announce a $25m (£14m) acquisition of Von Weise Gear, a specialist US motor manufacturer.

The move is in line with Hawker's strategy of buying relatively small companies in light electrical, instruments and aerospace industries which it believes offer fast growth potential.

Since the start of 1986 it has made some 25 acquisitions, mainly in the US, at a cost of nearly £200m.

Von Weise Gear, based in Missouri, is a leading US maker of gear motors which are used in areas such as food processing, office machinery and medical equipment.

This range of products is compatible with that of Fasco Industries, a Florida-based subsidiary of Hawker.

A merger of the two companies is expected to bring production and marketing advantages. Fasco had sales last year of £120m, compared with Von Weise's sales of about £15m in 1986.

Unilock profit sliced to £1.2m

Problems at subsidiaries Unilock Partitions and HCP contributed significantly to a drop in profits for the year to end-March at Unilock Holdings, office interior contractor.

The pre-tax figure was almost halved from £2.26m to £1.15m. Turnover slipped to £22.27m, a fall of £1.88m.

Mr Ken Roberts, chairman, had said that the results would fall short of last year's record and that the rate of recovery was less than satisfactory.

After tax reduced to £145,000 (£834,000), earnings worked through at 4.39p (6.48p). The total dividend of 2.2p is maintained with a 1.2p final.

Cresta £2.5m acquisition

Cresta Holdings, an Isle of Man based diversified group with major interests in corporate communications, has acquired Northern Communications Group, based in Manchester, for a maximum consideration of £2.5m.

Northern Communications includes the Staniforth Williams PR Consultancy, and its subsidiaries Bold Design and Communique Print Services.

Cresta will pay £435,000 in cash and issue 678,505 ordinary shares at a value of 107p on completion. A further £1.3m may be payable in ordinary shares and cash according to profit performance over the next two years.

All five divisions of Cresta are performing well.

Charterhall/Goldberg

Charterhall, an investment company controlled by Australian entrepreneur Mr Russell Goward, has further increased its holding in A. Goldberg, Scottish-based fashion retailer, to 17.24 per cent. On June 2 it announced that it had raised its stake to 15.78 per cent.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

ASB Barnett Kinning (Section: Third Market).

Arabex Petroleum (Oils).

Lincoln House (Ord. & Warrants) (Industrials).

Roskel (Buildings).

Slough Estates 6% Euro. Conv. Bond 2003 (Property).

Victaulic (Engineering).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Best brothers, Carroll (P.J), Hawtin, Telecomputing

Finals- Alexon group, Capital Gearing Trust, Continuous Stationary, Craig & Rose, Cropper (James), EMAP, Equity & General, Fashion & General Inv., Harrison Inds., Investment Co., Ivory & Sime, Magnet

FUTURE DATES

Interims-

Cifer	June 15
Ryl Tst Japan Growth Fund	June 16
Ryl Tst Sterling Bnd Fund	June 16
Trusthouse Forte	June 27
Wilding Office Equipment	June 22
Finals-	
BTP	June 23
Bulgin (A.F) Co.	June 24
Burndene Investments	June 21
Crown Eyeglass	June 14
Drummond Group	June 23
Hobson	June 20
Microlec Group	June 20
Oceana Dev Inv Tst	June 14
Ryl Tst Yen Bond Fund	June 16
Whitecroft	June 20

IMPORTANT NOTICE TO ALL ACCOUNTANTS AND BANKERS

If you have booked a place on the Institute of Chartered Accountants in England and Wales' Banking 1988 Conference (June 15 - 16) and have not had your joining instructions: please phone Sue Gill on 01-628 7060 ext 304 as there is a postal dispute at Milton Keynes. If you wish to apply, there are still a few places available, contact Sue Gill on the above number.

Alice Rawsthorn on one of the top performers in the clothing industry

The Alexon formula for success

VULNERABLE TO sudden surges of imports, to the vagaries of fashion, and to managers with more style than substance: the clothing industry has never won its way into the stock market's good graces.

In the past month or so the fate of Windsmoor, which has been absorbed by William Baird after only two years on the stock market, and of Ellis & Goldstein, battling against a bid from Berkertex, has confirmed the City's worst suspicions.

Yet some companies have proved that it is possible to make clothing both profitably and efficiently. Alexon sports the sort of double digit margins of which any company, whether in clothing or not, would be proud.

It has achieved this by a combination of motivating management and commitment to new technology. As a result, Alexon runs the most efficient clothing factories in the country. Barclays de Zoete Wedd, its brokers, expect a 33 per cent leap in pre-tax profits to £9.2m on sales up 19 per cent to £69.5m when its 1987/88 results are unveiled today.

The Alexon of today makes women's wear under its eponymous brand name to be sold in its own chain of shops and shops-in-shops. It is also one of the ten biggest suppliers to Marks and Spencer through Claremont, its women's wear company, and D & H Cohen, the men's and children's wear business it bought in November. Group sales last year were divided evenly between the two areas of activity.

Only a few years ago Alexon was in a sorry state. In 1984 the company – then trading as Steinberg – changed its strategy for the Alexon brand. A new, more expensive collection was introduced to the accompaniment of an expensive – and rather outre – advertising campaign by Saatchi and Saatchi.

The new strategy was a catastrophe. Alexon's customers found the new collection to be too outlandish and far too expensive. The advertising campaign was, at best, controversial. Some stores refused to display Saatchi's promotional material. The Alexon brand lurched into a loss.

Luckily the profits from Claremont, which had joined the group in 1982, compensated for the brand's losses. Within a year most of the Steinberg management had left, together with almost all of Alexon's senior executives. The Claremont team – headed by Mr Peter Wiegand and Mr Lawrence Snyder, now joint managing directors, under Mr Eddie Tarr as chairman – took control.

Their first task was to restore the brand to profit. A new management team was recruited. The range was halved in size. Prices were cut and designs became more commercial. Alexon returned to the niche it has occupied ever since: rather more upmarket than Next, slightly less so than Jaeger.

The new managers also applied the production techniques they had developed at the Claremont production plants in the north east to Alexon's factory in south Wales.

Until the late 1970s Claremont, like most of its fellow M and S suppliers, had relied on rising prices for profits growth. The management then realised that the only way to secure long term growth – and to temper its dependence on its sole customer – was to cut costs and improve response times.

In nine years the group has invested £15m in new technology for Claremont. Clothing production is still a labour intensive process, but Claremont has increased efficiency through improved planning and new machinery. Its factories are now equipped with the most modern computerised grading and cutting and with automated handling systems.

As a result, productivity has improved by at least 50 per cent in the past five years. The length of time taken to finish a garment has fallen from a few weeks to just eight hours. And Claremont, which enjoys the highest margins of all the M and S suppliers, has boosted its return on capital employed to over 50 per cent.

The management team still scours the world for innovations. Future improvements are expected to come from refinements in computerised design, cutting and fault detection.

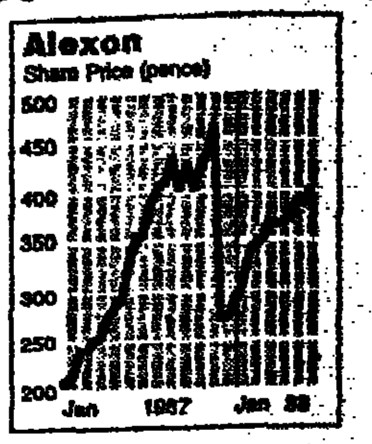
The lessons learnt at Claremont have since been adapted for Alexon. The level of efficiency at the south Wales plant will never be as high as at Claremont – where volumes are greater and production is more standardised – yet productivity has risen by 30 per cent in two years.

This increased efficiency has not only cut costs – thereby boosting profitability – but has enabled Alexon to manufacture more of its own branded merchandise. This has helped it to improve quality control and service.

The group has thus been able to expand Alexon's retail base. There are now 123 shops-in-shops and a growing group of 12 shops in the UK. Alexon is now developing its 21-strong chain in Europe and is "slowly" building on a network of 15 units in the US.

Most of this year's investment will be ploughed into retailing. The shops-in-shops are in the throes of refurbishment. Over the next year an electronic point-of-sale system will be installed.

Alexon is now applying the Claremont formula to Cohen. By buying Cohen it has broadened the base of its M and S business – adding men's and children's wear to women's wear – and has enabled Claremont to expand by making tops to co-ordinate with Cohen's trousers.



Cohen has added a tranche of cash – over £5m – to Alexon thereby eliminating its borrowings. It has also given the group its first finance director for several years. Mr David Cohen, who worked in corporate finance for Goldman Sachs in New York before returning to run the family business, took up the post in April

The level of efficiency at Cohen – which made trading profits of £900,000 on sales of £30m last year – is well below that of Claremont. The group is now tackling the task of improving Cohen's performance.

It has begun by introducing a new young management team – as it did at Claremont and Alexon where most of the senior executives are in their 30s – and by implementing the group's performance-related pay scheme. Once the new team is in place, a capital expenditure programme of £6m over four years will commence.

Mr Cohen's arrival has also enabled Alexon to pursue its corporate ambitions. After an ill-fated venture into pottery, with Hornsea which it sold in 1987, it intends to stick to traditional territory.

"We have balanced our M and S business by buying Cohen," said Mr Wiegand. "Now we want to add a new retail business to Alexon. Perhaps it will include manufacturing, perhaps not. But it will certainly be in fashion. In future we will stay in the area we know best."

FINANCIAL TIMES STOCK INDICES

	June 10	June 9	June 8	June 7	June 6	June 3	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.89	89.80	89.78	89.72	89.62	89.43	91.43	86.97	127.4	49.18
Fixed Interest	98.12	98.08	98.21	98.15	98.49	98.32	98.67	94.14	105.4	50.53
Ordinary	1468.2	1463.7	1455.2	1445.1	1452.8	1444.4	1478.7	1349.0	1926.2	49.4
Gold Mines	228.6	228.5	232.5	236.0	234.3	232.1	312.5	195.4	734.7	43.5
FT-Act All Share	955.97	952.87	944.98	940.97	944.69	938.84	955.97	870.19	1238.57	61.92
FT-SE 100	1849.8	1841.5	1828.2	1820.2	1832.7	1819.2	1855.5	1694.5	2443.4	986.9

THE LONDON Underground is replacing the obsolete ticket machines at its 248 stations with a computer-controlled system which it claims is among the world's most advanced.

The new machines should mean a huge improvement in passenger facilities on what is still the world's biggest urban metro.

But for the two contractors involved it has been a project management experience of a particularly demanding kind. They have not only had to contend with considerable interruptions totally outside their control but, when resuming the contract, they found themselves having to upgrade technology and performance.

Thus, completion is now expected nearly 10 years after the initial invitation to tender, largely because of a delay caused by a change of political control over London's public transport.

The two main contractors for the £150m project are Taylor Woodrow, which has overall responsibility for the building programme, and Westinghouse Cubic, which is supplying and installing ticketing equipment, booking office machinery, and supervisory computers and systems support.

Westinghouse Cubic won the original design contract back in 1978 against competition from GEC and two consortiums - ICL of the UK with Compagnie Generale L'Automatique of France, and Plessey with Marubeni of Japan. But it was not long before the victory began to seem a trifle hollow.

The company designed and installed a system at Vauxhall station which was tested for nine months, and appeared to have met the contract criteria. Then the problems started.

The initial contract had been awarded by London Transport, effectively a subsidiary of the Greater London Council, the left wing local authority abolished by the Conservative Government in 1984.

LT was removed from GLC control in advance of abolition, but the funding of transport projects became caught up in the political row between the Government and the local authority, which fought a long rearguard action on constitutional grounds.

The result was that the ticketing project went into limbo until after the abolition of the GLC took effect, when control of the Underground passed to the Government-owned London Regional Transport (LRT).

By this time, there had been a number of advances in ticketing technology, and LRT was keen to take advantage of them.

Initially, it looked as though the whole project would be put out to tender again, but LRT

New ticket machines and barriers on London's underground: a demanding project

Alan Harper

A bumpy ride on London's underground

Two contractors had to contend with sizeable problems to complete a project to instal ticket machines and barriers, reports Kevin Brown

eventually decided the most cost-effective course would be to allow Westinghouse Cubic to update the system used at Vauxhall.

So it was not until July 1985 that Westinghouse Cubic was finally awarded the £45m contract to design and install the full system.

Later, the company also picked up a £13m maintenance contract, and a £17m contract to install fail-safe automatic gates at 63 Central London stations, giving the whole project a value to Westinghouse Cubic of £75m.

The man who has had to cope with most of the ups and downs of the project is Peter Clayton, now managing director, who joined Westinghouse Cubic from Burroughs, the computer company, as chief engineer.

The biggest test came after the successful trial at Vauxhall, when Westinghouse Cubic had to be virtually wound down while the GLC/Government row was resolved.

This was a difficult and uncertain time for the company, which had grown from around 10 people to 100 during the trial phase, and had to be rapidly reduced to a handful of senior staff.

When LRT indicated that it wanted to revive the project, Westinghouse Cubic strengthened its management team by appointing new directors of marketing and customer services to back up Clayton's technical expertise.

But after two years of delay, the handful of senior managers who then comprised the company found themselves under what they describe as "boilerhouse pressure" from LRT to get things moving again quickly.

The advances in technology which had taken place meant that parts of the system had to be redesigned from scratch, and suitably qualified technical and engineering staff had to be found quickly.

Between 1985 and 1987, Westinghouse Cubic grew from five key senior executives to 186 full-time staff, while at the same time organising the biggest single project ever undertaken in automatic fare collection.

Peter Clayton says many of the staff he employed at the beginning of this period of rapid expansion were on short term contracts because of the tight timescale - and they were expensive.

They also had to be experienced, because there was no time for training, and every work activity had to be planned in detail in advance on computerised flow charts.

The most important element of the management of the contract was tight control, exercised through frequent and "ruthless" periodic reviews of both design and planning.

To make this easier, each series of tasks was broken down into manageable units, so that everyone knew precisely what had to be achieved, and when.

"The key was constant visibility, in the sense that people had clear benchmarks which they knew they had to meet, and which could be updated when necessary," says Clayton.

A good example of this approach was in the development of computer software for the system, which required around 120 man years of work in about 18 months.

Software development is notoriously difficult to control because of the lack of tangible output, and Westinghouse Cubic initially found it difficult to keep track of precisely what stage had been reached.

About halfway through the development process, Clayton took the decision to split up the work among a number of groups, each of which was given clearly defined objectives.

This, he says, gave management a clearer idea of how work was progressing, together with increased discipline and control. But it was far from the cheapest way of handling the work.

The final element was the creation of a test group, which devised detailed testing arrangements for every part of the system to ensure that everything worked properly from the moment of installation.

This was essential because of the physical problems involved in installing modern equipment in a wide variety of stations - some subject to conservation requirements, others in a poor state of repair - while interfering as little as possible with passenger flows.

Stations are now being completed at the rate of three a week. So far, around 140 stations have been brought on stream, mostly in outer London, although some central stations have been completed, including Oxford Circus.

Clayton says many of the more difficult stations are yet to come, however, and some may have to be closed for a day or two while the equipment is installed. If all goes well, the last stations will be completed in the New Year.

Meanwhile, there is one other prize awaiting London Tube passengers: Clayton says his system will not only make it easier to buy a ticket, it will also help make the trains run on time, by improving management access to information about traffic flows.

Why Procter & Gamble has its eye on drop-outs

The US consumer products group is concerned about the growing number of school leavers without skills, reports Penny Duckham

WITH ONE million students dropping out of school in the US every year and one in every eight 17-year-olds now classed as functionally illiterate, US employers are being forced to come to terms with an inadequate public school system or lose a potential work force. More and more US businesses are joining in local community initiatives *to do something* to improve standards.

The US National Alliance of Business recently launched a campaign, warning that business must involve itself in education if it wants schools to turn out employable students. As a corporate-funded organisation which specialises in training and labour force issues, the NAB argues that those who want to hire graduates from school cannot afford to be aloof from their local schools - from pre-school to high school.

Pressures

It is not just the fault of the schools, the NAB says. "It isn't that school is even worse than it used to be," says William Kolberg, the NAB President. "But that low achievement and low skills are no longer acceptable in today's job world." A further problem is the effect on educational achievement of social pressures ranging from low incomes to teenage pregnancies and drug abuse. These are issues that schools cannot master without help from their local community, including local business.

Business concern about education is not new. But the emphasis is shifting from financing charitable schemes to involvement and leadership in community projects. Most of the successful schemes so far, such as the pioneering Boston Compact, have combined private-sector funding and expertise with public-sector spending and infrastructure. These have been models for other cities to follow, both in the UK and the US, but there seems to be no blueprint capable of universal application. The common stress is on local solutions to local problems.

As the NAB points out, the pool of future job applicants is shrinking, now that the baby boom of the 1960s and 1970s is over. In 1978, 24 per cent of the workforce was between the ages of 16 and 24. By 1995, only 16 per cent will be in that age bracket. That means about 5m fewer young people will be looking for jobs.

For school leavers, the problem is that jobs on offer will require greater skills. Employers, in contrast, face not only a shrinking workforce but the likelihood of an increasing percentage of it being school dropouts, functionally illiterate and likely to become pregnant as teenagers or have drug problems.

One big problem is the drop-out rate, which runs at 50 per cent or more in some urban schools. In a series of initiatives funded recently by the Ford Foundation to tackle the problem, grants were made to community groups in 21 cities. The first project for each group was to identify reasons why local students were dropping out and to come up with proposals to deal with the particular local problems they found.

One of these drop-out prevention schemes is in Cincinnati, Ohio, and has backing from Procter & Gamble, the big consumer products group, as well as funding from the Ford Foundation. P & G, which has been based in Cincinnati since 1837, is one of the city's main employers, with a long record of local charitable activity, including education and vocational projects.

John Pepper, the group's president, became interested in the problem of student dropouts and in January 1987 joined Lee Etta Powell, the Cincinnati school superintendent, and Kenneth Blackwell, a city council member, in setting up a group designed to cut drop-out rates, raise local school standards and increase local job opportunities for school leavers.

The Cincinnati Youth Collaborative, as the group is called, has followed the Boston Compact in bringing together a wide range of local interests to tackle the problems jointly. These interests include business, schools, parents, social service organisations and local religious groups. Projects range from setting up new pre-school programmes for 3-year-olds to developing a jobs network linking local business and local schools. After an initial three-year programme, the success of each initiative will be assessed and future funding reviewed.

P & G executives are closely involved in the scheme. John Pepper chairs the Bridge to Jobs committee, which co-ordinates local projects such as training, counselling and on-the-job work experience to bridge the gap between school and work. Richard Nicolosi, a vice-president, chairs a second sub- committee called Bridge to College, which includes schemes to provide high school graduates with scholarship support to go to college.

Lower down the company scale, employees are generally encouraged to take an active part in voluntary community projects - even when these take up company time. P & G has seconded a senior executive to work full time at the Cincinnati Collaborative, setting up two pre-schools at the local inner-city elementary schools. A second executive will take over after a year.

Support

Other company help ranges from staff research, clerical work and assistance with publications to providing mentors and tutors to at-risk pupils in school.

P & G's interest has also made it easier to persuade other local businesses to support the project. Over 200 different organisations are actively involved. These include vice-presidents of the local Bell telephone company and a newspaper business, the former president of the Community Chest and a representative of the Youth Service.

Corporate involvement in local community projects such as the Cincinnati Collaborative is not altruistic. The businesses have a long-term interest in encouraging a local school population capable of the skills needed to work. William Kolberg of the NAB says: "There is a dawning in understanding by business that they have to get involved."

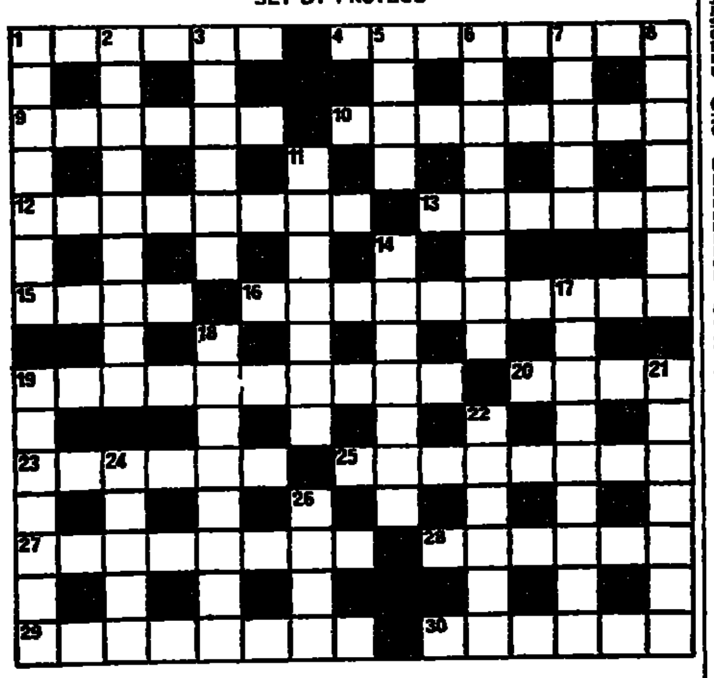
FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

JOTTER PAD

FT CROSSWORD No.6,654

SET BY PROTEUS



ACROSS

1 Reduce discount (6)
4 Punctilious person putting gummed label round headlamp (8)
9 Immediate aim (6)
10 Flags displayed by Quaker workers (8)
12 He must inspect tool returned by collier (8)
13 Point never brought out in superficial show (6)
15 Bargain for a certainity (4)
16 Criterion applied to character of Shakespeare (10)
19 Production of DNA units perhaps (10)
20 Advantage of border situation (4)
23 Soldier is unable to revoke former declaration (6)
25 Plum stone having red cap on possibly (8)
27 Is a paper forced to put a value on things? (8)
28 Walks like doctor going round jumble sale (6)
29 Happening to die perhaps towards the end of the day (8)
30 Actor putting drama before royalty (6)

DOWN

1 Remedy may be to change gear (7)
2 Apparently uncivilised rugby player (9)
3 Alarm-bell over Northern Ireland tax (6)
5 Row about it is upsetting (4)
6 Talk familiarly or just the opposite (8)
7 Clean out open wound (5)
8 Substitute for book (7)
11 Rumours of explosions perhaps (7)
14 Bill's tale (7)
17 The aged confused by a lie in court (3,6)
18 Deal with solution in pamphlet (8)
19 A long time to dress? Rubbish! (7)
21 Former model who reveals all? (7)
22 Ordinary girl with large head (6)
24 Police heard in wood (5)
26 Employed by some famous editor (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday June 25.

FT UNIT TRUST INFORMATION SERVICE

Target Trust Mngrs Ltd
Target Hse, Gatehouse Rd, Aylesbury Bks 0296 394000

American Eagle	60.6	64.1xd	1.28	41482
Australia	8.1	8.6	0.10	41483
Commodity	80.8	85.9	1.05	41484
Convertible	149.4	159.0	5.50	41485
Equity	143.5	153.0xd	3.21	41486
Euro Spec Sits	78.0	82.7	1.32	41487
Financial	31.6	33.0	1.91	41488
Global Opps Inc	57.4	61.1	-	41489
Global Opps Acc	57.4	61.1	-	41490
Gold Income	54.3	57.9	0.86	41491
Gold Acc	100.0	106.5	0.86	41492
Income	107.0	113.8xd	3.54	41493
Japan	127.2	135.3	0.10	41494
Pacific Income	114.3	121.8	0.87	41495
Pacific Re Inv	142.0	151.5	0.87	41496
Preference Share	25.2	26.8	6.82	41497
Special Sits	99.9	106.2	0.59	41498
Technology	41.4	44.1	0.10	41499
UK Capital	89.3	95.1	1.28	41500
World Income	51.0	54.3	5.22	41501
Worldwide Capital	145.5	155.0	1.35	41502
Equity Exempt	109.9	117.0xd	1.56	41503
Equity Exempt Acc	210.6	224.2	1.56	41504

Templeton Investment Management
20 Copthall Avenue, EC2R 7PA 01-588 6064

Intl Pen & Ch'ties	187.7	91.4xd	-	41505

Thornton Unit Managers Ltd
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

American Opps	37.2	39.7	1.38	41506
(Accum Units)	38.1	40.6	1.38	41507
European Opps	42.3	45.1	1.06	41508
Far Eastern Opps	82.1	87.6	0.46	41509
(Accum Units)	82.3	87.8	0.46	41510
Golden Opps	34.8	37.1	1.19	41511
Intl Hi-Yield	43.0	45.9	4.27	41512
Japanese Opps	58.9	62.8	0.89	41513
(Accum Units)	58.9	62.8	0.89	41514
Kangaroo	30.7	32.7xd	1.36	41515
Oriental Income	28.0	29.9	2.07	41516
(Accum Units)	28.5	30.4	2.07	41517
Pacific Technology	51.0	54.4	0.00	41518

J. Rothschild Fund Managers Ltd—Contd.

INSURANCES

AA Friendly Society
Investment Mngt M & G Inv Mngt Ltd

AA Friendly Sy May 13	-	139.4	-	41607

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	234.5	246.9	-	41608
Equity Ser. 1	117.4	123.6	-	41609
Prop. Acc. Ser 2	339.7	357.6	-	41610
Equity Ser 2	129.8	136.7	-	41611
Selective Acc	279.9	294.7	-	41612
Prop. Ser. 4	267.8	281.9	-	41613
Equity Ser. 4	132.4	139.4	-	41614
Fixed Int. Ser. 4	213.1	224.4	-	41615
Indexed Inv Ser. 4	120.3	126.6	-	41616
American Ser. 4	251.1	264.4	-	41617
High Inc. Ser. 4	370.6	390.2	-	41618
Japan Ser 4	280.8	295.6	-	41619
Man. Ser. 4	366.7	388.2	-	41620
Money Ser. 4	215.4	226.8	-	41621
European Ser 4	91.4	96.3	-	41622
Pension Funds				
Property	450.5	474.3	-	41623
Equity	935.7	985.0	-	41624
Selective	298.1	313.8	-	41625
Managed	667.9	703.1	-	41626
Security	394.1	414.9	-	41627
Fixed Int	237.3	249.8	-	41628
European	124.5	131.1	-	41629
American	205.9	224.7	-	41630
Japan	301.9	317.8	-	41631
Indexed	127.5	134.3	-	41632
International	139.6	147.0	-	41633

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655

Managed Fund	264.9	278.9	–	43272
Man Pens Inc & Cap Fd	337.7	355.5	–	43273
Money Fund	112.7	118.7	–	43274
Pens. Mngd Fd (Init)	87.3	91.9	–	43275
Pens Mngd Fd (Acc)	99.7	105.0	–	43276
Pens FT30 Fd (Init)	126.6	133.3	–	43277
Pens FT30 Fd (Acc)	144.6	152.3	–	43278
Pens O'seas MgFd(Init)	57.8	60.9	–	43279
Pens O'seas MgFd(Acc)	66.0	69.5	–	43280
Pens Fxd Int Fd (Init)	107.4	113.1	–	43281
Pens Fxd Int Fd (Acc)	122.7	129.2	–	43282
Pens Deposit Fd (Init)	101.4	106.8	–	43283
Pens Deposit Fd (Acc)	115.8	121.9	–	43284

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	91.00	96.00	–	43285
Building Soc. Fd	161.0	170.0	–	43286
Balanced	241.0	254.0	–	43287
Deposit	160.0	169.0	–	43288
European	123.0	130.0	–	43289
GT Managed	151.0	159.0	–	43290
Gartmore Mngd	100.0	106.0	–	43291
German	89.0	94.0	–	43292
Gilt	172.0	182.0	–	43293
High Inc	115.0	122.0	–	43294
International Equity	151.0	159.0	–	43295
Japan	218.0	230.0	–	43296
Managed	54.0	57.0	–	43297
Property	256.0	270.0	–	43298
R. W. Imperial Gold	132.0	139.0	–	43299
UK Equity	315.0	332.0	–	43300
Pension Funds				
American	113.0	119.0	–	43301
Building Soc. Fd	152.0	160.0	–	43302
Balanced	184.0	194.0	–	43303
Deposit	150.0	158.0	–	43304
European	122.0	129.0	–	43305
GT Managed	160.0	169.0	–	43306
Gartmore Mngd	98.0	104.0	–	43307
German	85.0	90.0	–	43308

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd	434.7	457.6	–	43513
Equity Fd	869.6	915.4	–	43514
Intnl Fd	307.9	324.2	–	43515
Fixed Int. Fd	368.4	387.8	–	43516
Prop Fd	324.9	342.1	–	43517
Cash Fd	237.4	249.9	–	43518
Pacific Basin Fd	177.8	187.2	–	43519
North American Fd	124.1	130.7	–	43520
European Fd	126.7	134.4	–	43521
Holborn Balanced Gwth Fd	101.1	106.5	–	43522
Holborn Strategic Gwth Fd	99.7	105.0	–	43523

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	475.0	500.1	–	43524
Equity	679.9	715.7	–	43525
Global Equity	197.0	207.4	–	43526
Fixed Interest	379.7	399.7	–	43527
Property	318.8	335.6	–	43528
Cash	140.6	148.1	–	43529
Index Linked Gilt	166.9	175.7	–	43530
Guaranteed	8.31		–	43531
International Money	185.6	195.4	–	43532
North American Fd	54.5	57.4	–	43533
Japanese Fund	125.6	132.3	–	43534
European Fund	68.7	72.4	–	43535
Special Situations Fd	96.6	101.7	–	43536
Communications Fund	84.3	88.8	–	43537
Smaller Cos Fund	97.7	102.9	–	43538

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry June 1	£126.78	130.40	–	43539
Equity Fund June 1	£137.55	141.71	–	43540
Intnl Fund June 1	£20.70	21.38	–	43541
Intl Bond Fd June 1	£10.30	10.47	–	43542
Fixed Int June 1	£68.80	69.69	–	43543
Index Linked June 1	£52.73	53.39	–	43544
Property Fund Jun 1	£86.80	91.46	–	43545
Cash Fund June 1	£18.6736	18.6736	–	43546

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	"Shorts" (Lives up to Five Years)					
2,050	Treas. 9½pc '88	100	8.39	21.3	25 Apr 25 Oct	1346
2,250	Treas 11½pc 1989	101	8.59	18.1	22 Aug 22 Feb	1291
855	Treas 9½pc Cnv 1989	100	8.49	11.9	18 Oct 18 Apr	1348
500	Treas 3pc 1989	97	6.48	26.03	15 Nov 15 May	1327
1,400	Treas 10½pc 1989	101	8.71	09.04	14 Dec 14 Jun	1287
2,400	Exch 10pc 1989	101	8.87	29.12	1 Feb 1 Aug	1250
2,000	Exch 11pc 1989	102	8.86	24.2	29 Mar 29 Sep	1256
601	Treas 5pc 1986-89	96	7.52	9.3	15 Apr 15 Oct	1329
535	Exch 10¼pc Cv '89	102	8.20	8.4	15 May 15 Nov	1255
1,000	Treas 13pc 1990‡‡	106	8.88	8.6	15 Jul 15 Jan	1300
1,400	Exch 11pc 1990‡‡	103	8.93	6.1	12 Aug 12 Feb	1257
1,250	Exch. 12½pc 1990	105	8.94	17.8	22 Sep 22 Mar	1262
550	Treas. 3pc 1990	93	6.96	5.4	8 Nov 8 May	1325
600	Treas 8¼pc 1987-90‡‡	99¼	8.67	09.04	15 Dec 15 Jun	1340
1,000	Treas. 8pc Cv 1990 ‡‡	100	7.97	9.5	16 Jul 16 Jan	4680
1,887	Treas. 10pc Cv 1990	102	9.01	21.3	25 Apr 25 Oct	1285
500	Exch 2½pc 1990	90	6.90	16.10	22 May 22 Nov	1270
2,200	Treas 11¾pc 1991	106	9.08	4.12	10 Jul 10 Jan	1292
400	Funding 5¾pc '87-91‡‡	94	8.18	1.9	5 Oct 5 Apr	1275
400	Treas. 3pc 1991	89	7.25	6.4	13 Mar 13 May	1326
646	Treas 10pc Cv '91 ‡‡	103	8.85	06.05	12 Jan 12 Jul	1286
1,550	Exch. 11pc 1991	105½	9.08	21.3	25 Apr 25 Oct	1258
1,350	Treas. 8pc 1991	97	9.03	04.04	10 Jun 10 Dec	1335
900	Treas 12¾pc 1992‡‡	111	9.10	19.1	22 Jul 22 Jan	1297
1,600	Treas 10pc 1992	102	9.11	15.1	21 Aug 21 Feb	1283
1,400	Treas 8pc 1992 ‡‡	96	9.05	11.6	13 Oct 13 Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	104	9.16	1.9	7 Nov 7 May	1289
500	Treas. 3pc 1992	85	7.26	4.11	11 Dec 11 Jun	1328
1,350	Exch. 12¼pc '92	110	9.23	19.1	25 Feb 25 Aug	1265
1,757	Exch 13½pc 1992	114	9.24	17.8	22 Mar 22 Sep	1266
950	Treas. 8¼pc 1993 (40)●	39	9.19			—
1,850	Treas 10pc 1993‡‡	103	9.18	9.3	15 Oct 15 Apr	1279

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
1,954.6	TRW Inc. 62½c	26¼	$1.60	3.3	10.5	Ma Ju Se De	4318
3,822.7	Tenneco $5	25⅛	$3.04	6.4	24.5	Mr Ja Sp Dc	4194
6,630.2	Texaco $6.25	28¼	♦$3.00	5.8	28.4	Mr Je Se De	4200
4,955.8	Time Inc. $1	52½	$1.00	1.1	24.01	Mr Ju Se De	4234
1,438.3	Transamerica $1	18⅜	$2.84	5.4	31.3	Ja Ap Ju Oc	4239
487.1	Transworld Corp $5	941p	20c	1.2	11.11	Fe My Au No	–
555.3	TRINOVA Corp	16¼	56c	1.9	9.11	Mc Je Se De	4309
5,356.7	USX $1	17¼	$1.20	3.7	30.10	Mr Je Se De	4380
2,869.2	Utd. Technologies	21⅜	$1.60	4.0	19.5	Mr Jn Sp Dc	4381
6,086.3	US West	30¼	$3.52	6.3	13.4	Fb My Ag No	–
4,426.4	Waste Management $1	19⅝	36c	1.0	21.3	Ap Jly Oc Jan	4439
1,038.5	Whirlpool $1	15	$1.10	4.0	25.01	Mr Jn Se De	–
1,896.4	Woolworth $3½	28⅞	$1.64	3.1	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ABM Gold Corp	397p	–	–	–	–	–
–	Abbot Energy Corp	24p	–	–	–	–	–
898.4	Amer. Barrick Res.	12¼	–	–	–	–	–
–	American Lightwave	73p	–	–	–	–	–
–	Armeno	28p	–	–	–	–	–
–	Augmitto Explo.	65p	–	–	–	–	–
1,260.6	Bk. Montreal	12¼	$2.00	7.3	9.5	Fb My Ag Nv	–
991.6	Bk. Nova Scot.	598p	76c	5.6	28.3	Ja Ap Ju Oc	–
4,525	BCE	16⅞	$2.44	6.4	6.6	Ap Jy Oc Ja	–

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988 N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed W Pro forma figures. Z Dividend total to date Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p . y	68	....	Arnotts............y	378	+30
Craig & Rose £1.. y	678	....	CPI Hldgs ....y	116	-6
Finlay Pkg 5p.... y	77	....	Carroll Inds ....y	152	..
Holt (Jos) 25p.....y	£11½	....	Hall (R & H)	160	

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

A selection of Options traded is given on the London Stock Exchange Report Page

CONSTRUCTION CONTRACTS

Trafalgar House wins £89m

TRAFALGAR HOUSE OFF-SHORE AND STRUCTURAL has secured orders worth over £70m for its structural companies RDL and CLEVELAND BRIDGE.

They include a repeat order for RDL to work on the roof structure of the International Convention Centre in Birmingham, a refurbishment of the Langham Hotel in central London, and the steelwork for an office complex at Charing Cross, London.

Among Cleveland Bridge's orders, worth £24m, is one for 4,200 tonnes of steelwork in a ten-storey office building near St Paul's and another for the Phase 2 redevelopment of Victoria main line station, as well as the £1m upgrading of the Docklands Light Railway.

CEMENTATION CONSTRUCTION, also in the Trafalgar House group, is to improve the Stoneferry crossing of the River Hull from Clough Road to Ferry Road in Hull.

The £7m order involves replacing the existing swing bridge, too narrow for lorries, with a pair of steel counter-balanced trunnion bascule bridges with deck lengths of 32.2 metres. The company will build the control buildings and install the operating equipment, together with approach carriage-way, a new roundabout, drainage and associate works.

CEMENTATION PILING AND FOUNDATION, another Trafalgar House subsidiary, has been awarded contracts worth almost $10m.

Work for Taylor Woodrow Management Contracting at Baltic Quay, for Skillion, will involve building an interlocking bored pile wall and foundation piles; an order from a sister company, Trollope & Colls, for work on a three-storey shopping mall and basement in Romford town centre will be worth £734,000; Lovell, the main contractor, has asked the company to undertake the piling for a development in Clarendon Road Watford, and, for Kier Management, Cementation will complete sub-structure work on a new centre for commerce and trade in Wapping for Sovereign City Developments.

Tesco has asked WILLETT, also under the Trafalgar House banner, to design and build a new superstore at Stevenage, Herts., for £2.7m.

Milton Keynes hospital work

The FAIRCLOUGH/DRAKE & SCULL joint venture has landed another hospital contract - the £12.5m phase 2 at Milton Keynes District General Hospital. The joint venture is foran additional two-storey complex to create six wards - with nearly 170 beds - and four operating theatres. The project, which started in April, includes roof-mounted plant rooms, an energy centre, connecting links to the hospital, and storage buildings. The new phase will be built using the method developed by the Oxford Regional Health Authority for rapid continuous construction. This modular dry-construction technique demands accurate building practices in setting out and assembling prefabricated and prefinished components. The external envelope is designed for early completion to provide the cover needed for concurrent internal construction, fitting out, and installation of mechanical, electrical and specialist engineering services. The project is scheduled for completion in mid-1980.

Prison at Bicester

The Property Services Agency has awarded a £33m contract to build a prison at Bullingdon, Bicester, to KIER, the contracting division of Beazer. A Category B institution, it will house 620 inmates held on remand in a complex of single, two- and three-storey buildings within a 5.3 metre high wall. Included is the construction of a single-storey maintenance building, car parking and upgrading the access road into the prison. Work will begin on June 27 and is scheduled to end late in 1990. The company is to build a £7m Asda superstore at Great Yarmouth for Associated Dairies.

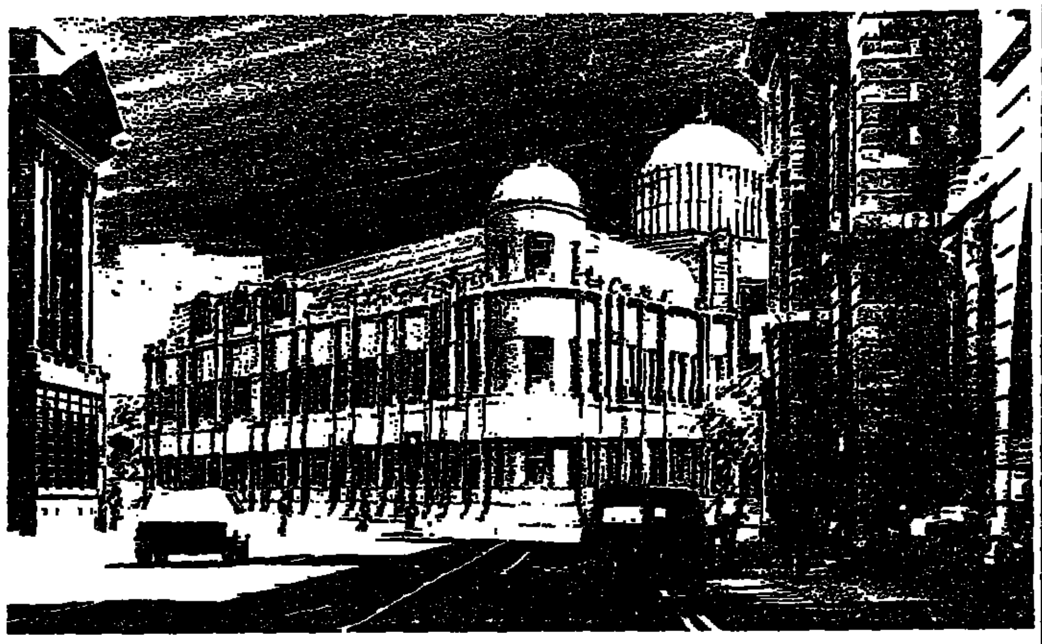
Bigger flyover

The Department of Transport has placed a £4.6m contract with SHEPHARD HILL & CO to improvement the Dunkirk flyover, Nottingham. The single-carriageway flyover, erected nearly 20 years age as a temporary measure, is to be replaced by a permanent concrete viaduct.

Telford centre to have retail park

Telford is to have another large town-centre shopping precinct. Under a contract valued at nearly £4m, AMEC company FAIRCLOUGH BUILDING is designing and constructing a retailing area at Old Park - close to the Magistrates Court - for Citygrove Developments. Fairclough will build a 150,000 sq ft shopping park containing nine single-storey non-food shops. To be called Telford Bridge Retail Park, the development will be linked to the town centre by a pedestrian bridge and walkway. The company will also install common services, landscape the surrounds, and provide a parking area for about 700 cars. Fast-food and possibly leisure facilities may be provided in future phases.

Crown Court complex at Hull



SHEPHARD CONSTRUCTION has won a £7.2m contract to build Hull's Crown and County Courts complex (shown in the artist's impression above) for the Lord Chancellor's Department. When completed, in August 1990, the complex will provide three Crown Courts with ancillary offices and accommodation including a secure custody yard. To be built over piled foundations, the three-storey building will have a steel frame with brickwork cladding and stone features. A mansard slate roof will be topped by a stainless steel dome.

DIARY DATES

PARLIAMENTARY

TODAY

Commons: Private members' motions.

Lords amendments to the Dartford-Thurrock Crossing Bill.

Resolutions relating to the Finance (No 2) Bill.

Remaining stages of the Housing Bill.

Lords: Road Traffic Bill, second reading.

Road Traffic Offenders Bill, second reading.

Local Government Finance Bill, committee.

Access to Medical Reports Bill, report.

Motor Vehicles (Wearing of Rear Seat Belts by Children) Bill, committee.

Select committees: Environment: subject, Property Services Agency's main estimates. Witnesses: PSA officials. (Room 21, 4.30 p.m.)

Televising of the proceedings of the House. Witness: Lord Aberdare, Lord Chairman of Committees, House of Lords. (Room 8, 6 p.m.)

TOMORROW

Commons: Remaining stages of the Housing Bill.

Motion on EC documents on the limitation of emission of pollutants from large combustion plants.

Motion on the Building Societies (Commercial Assets and Services) and (Limits on Commercial Assets) Orders.

Lords: Malicious Communications Bill, report.

Local Government Finance Bill, committee.

Scotch Whisky Bill, committee.

Select committees: Trade and Industry: subject, British Shipbuilders. Witness: Mr John Lister, chairman, British Shipbuilders. (Room 16, 10.45 a.m.)

European legislation: subject: choice of treaty base after the Single European Act. Witnesses: Treasury Solicitors Department officials. (Room 15, 11.30 a.m.)

Employment: subject, Legionnaires' Disease in the working environment. Witness: Westminster City Council. (Room 20, 4 p.m.)

Education, Science and Arts: subject, educational provision for the under-fives. Witnesses: HM Inspectorate of Schools and Department of Education officials. (Room 21, 4.05 p.m.)

Members' interests: subject, parliamentary lobbying. Witnesses: Dr Michael Rush, University of Exeter; Professor Philip Norton, University of Hull; Professor Colin Seymour, University of Kent, and Mr Malcolm Shaw, University of Exeter. (Room 8, 4.15 p.m.)

Transport: subject, air traffic control safety. Witness: British Gliding Association. (Room 17, 4.15 p.m.)

Committee on a private bill: City of London (Spitalfields Market). (Room 5, 10.30 a.m.)

WEDNESDAY

Commons: Completion of remaining stages of Housing Bill.

Opposed private business after 7 p.m.

Lords: Debate on the Science and Technology Select Committee report on priorities in medical research.

Motion to annul the Harwich Dock Company Empowerment Order and the Newport, Isle of Wight, Harbour Revision Order.

Environment and Safety Information Bill, second reading.

Community Health Councils (Access to Information) Bill, second reading.

Question to the Government on action to safeguard and conserve artistic heritage.

Select committees: Environment: subject, toxic waste. Witness: Water Authorities Association. (Room 21, 10.30 a.m.)

Trade and Industry: subject, information technology. Witness: Lord Young of Graffham, Trade and Industry Secretary. (Room 15, 10.30 a.m.)

Energy: subject, Department of Energy's spending plan. Witness: Mr Peter Gregson, permanent under-secretary. (Room 8, 11 a.m.)

Treasury and Civil Service sub-committee: subject, Civil Service Management Reform: The Next Steps. Witnesses: First Division Association; Mr William Plowden and Mr Gavin Drewry of the Royal Institute of Public Administration. (Room 19, 11.30 a.m.)

Employment: subject, the estimates. Witness: Manpower Services Commission. (Room 8, 4.15 p.m.)

Foreign Affairs: subject, the political impact of arms control and disarmament. Witness: Mr David Mellor, Foreign Office Minister. (Room 7, 4.15 p.m.)

Public Accounts: subject, management of the civil estate. Witness: Sir Gordon Manzie, Property Services Agency. (Room 16, 4.15 p.m.)

Social Services: subject, social security issues and personal social services expenditure. Witnesses: DHSS officials. (Room 21, 4.15 p.m.)

Treasury and Civil Services: subject, international monetary co-ordination. Witnesses: Treasury officials. (Room 20, 4.30 p.m.)

Committee on a private bill: City of London (Spitalfields Market). (Room 5, 10.30 a.m.)

THURSDAY

Commons: Progress on remaining stages of Criminal Justice Bill.

Motion on EC document on weights and dimensions of certain road vehicles and motion on EC documents on plans to extend road worthiness testing.

Lords: Local Government Finance Bill, committee.

Licensing (Retail Sales) Bill, second reading.

Select committees: Agriculture: subject, Chernobyl: the Government's reaction. Witnesses: Meteorological Office, Natural Environment Research Council and Convention of Scottish Local Authorities. (Room 16, 10.30 a.m.)

Standing Orders: subject, London Docklands Railway (Beckton) Bill. (Room 7, 11.30 a.m.)

FRIDAY

Commons: Debate on the growth of the tourism industry.

FINANCIAL

TODAY

COMPANY MEETINGS-
Boustead, Westbury Hotel, New Bond Street, W., 12.30
Hammerson Prop. Inv. & Dev., 100 Park Lane, W., 12.00

BOARD MEETINGS-
Finals
Alexon Group
Capital Gearing Trust
Continuous Stationary
Craig & Rose
Cropper (James)
EMAP
Equity & General
Fashion & General Inv
Harrison Inds
Investment Co.
Ivory & Sime
Magnet
Interims
Bell Brothers
Carroll (P J)
Hewlin
Telecomputing

DIVIDEND AND INTEREST PAYMENTS-
Bankers Trust New York Flg Rate Sub Nts 2000 $181.15
British & American Film Hldgs. 4.5p
CSL Corp. 1p
Cowells 2.5p
Finlay Packaging 3.25p
Govett Strategic Inv Tst 1.4p
Hammerson Prop Inv & Dev 8.5p
Do. "A" Lim-Vtg 8.5p
House of Lerose 6.7p
Laird Grp. 4.6p
London & Scottish Marine Oil 5.2p
Lowland Investment 1.6p
Lucas Inds. 6p
Martin Currie Pacific Tst. 0.4p
Middle Witwatersrand (Western Areas) Und Flg Rate Prim Nts (Series 3) $422.67
Royal Bank of Scotland Und Flg Rate Prim Cap Nts $427.17
Smithkline Beckman 46cts
Thame Hldgs. 1.1p
UCL Grp 2p
United Friendly Insurance "B" Rest. Vtg. 17p
Ward Grp 2.8p

TOMORROW

COMPANY MEETINGS-
Avis Europe, Park Lane Hotel, Piccadilly, 12.00
Baillie Gifford Technology, 3, Glenfinlas Street, Edinburgh, 10.00
Beattie (James), 71-78 Victoria Street, Wolverhampton, 2.30
Corton Beach, Prince of Wales Hotel, Southport, 10.00
Cussins Property, Savoy Hotel, Strand, W.C., 12.30
Davis (Godfrey), Glaziers Hall, 9 Montague Close, London Bridge, S.E., 11.00
Dencora, Waveney House Hotel, Puddingmoor, Beccles, Suffolk, 12.00
Highland Participants, The RAC Club, Pall Mall, S.W., 10.00
Lanca, Faril House, Faraday Court, Faraday Road, Crawley, West Sussex, 2.30
Martin (Albert), Swallow Hotel, South Normanton, Derbyshire, 2.15
Pleasurama, Talk of London, Parker Street, W., 12.00
Shires Inv., 1-2 Dorset Rise, Salisbury Square, E.C., 12.00

BOARD MEETINGS-
Finals
Airsprung
Alphameric
Bradford Property Tst.
BSS Group
Chancery Securities
Crown Eyeglass
Dawson Intl.
Erskine House
F & C Smaller Companies Inv. Tst.
Locker (Thomas)
London & Overseas Freighters
Normans Group
Northern Foods
Oceana Dev Inv Tst
Premier Cons. Oilfields
TGI
Wardell Roberts
Yellowhammer
Interims
Colourvision
Davenish (J.A.)
Horne (Robert)
River & Mercantile American Cap. & Inc. Tst

DIVIDEND AND INTEREST PAYMENTS-
Acric Mortgage Corp. 10¼pc Deb 1992/95 5.125pc
Bank of Tokyo (Curacao) Gtd Flg Rate Nts Dec 1991 $209.69
Banque Nationale De Paris Sub. Flg Rate Nts 1994 £225
Citicorp O'seas Finance Gtd Flg Rate Nts 1994 $18.21
Conversion 9½pc 2002 4.25pc
Cory(Horace) 0.4p
Nedlloyd Finance BV Gtd Flg Rate Nts 1988 $182.08
Southeast Banking Flg Rate Sub Nts 1996 $419.36
Tenneco 76cts
Treasury 9¾pc Cnv 1988 4.875pc

WEDNESDAY JUNE 15

COMPANY MEETINGS-
Abbot Mead Vickers, Inn on the Park, Park Lane, W., 11.00
Austin Reed, 16-21 Sackville Street, W., 12.00
Chelsea Artisans, Unit 7, The Ember Centre, Lyon Road, Hersham, 12.00
City of Oxford Inv. Tst., 41 Bishopsgate, E.C., 12.00
Hopkinsons Hldgs., Birkby Lodge, 48 Birkby Lodge Road, Birkby, Huddersfield, West Yorkshire, 10.00
Micro Focus, 26 West Street, Newbury, Berkshire, 12.00
Smallshaw(R)(Knitwear), 51, Druid Street, Hinckley, Leicester, 12.00
Upton (C) & Sons, 175 Linthorpe Road, Middlesborough, 6.00
Vinst Hldgs., The Hilton Intl., Regents Park, Lodge Road, St. John's Wood, N.W., 10.30

BOARD MEETINGS-
Finals
Dewhurst Foods
Clayhithe
Consolidated Murchison
Lyons Irish Hldgs.
Mansfield Brewery
Pilkington
Schroder Money Fund
Thermal Scientific
Waddington (John)
Wagon Inds.
Yale & Valor
Interims
Australia Inv. Tst
Jersey Electricity Co
London Scottish Bank
Norton Opax
Willoughby's Consolidated

DIVIDEND AND INTEREST PAYMENTS-
AECI Ln 5½pc Pf 5 ½cts
BSR Intl 5½pc Uns Ln 1985/90 2¾pc
Caisse Nationale Des Autoroutes 11pc Gtd Ln 2006 8pc
Calfed Inc 31cts
Dana Corp 38cts
Davis (Godfrey) 4p
General Motors 1.25cts
Do Bcrs (iss Barcl Bank-units 1/20th Share) 6.25cts
Guardian Royal Exchange Ass. 7pc Uns Ln 1986/91 3½pc
Intl Thomson Org 11cts
King & Shaxson 8.75p
Do. Pf 3.15p
Do 5pc 2nd Pf 1.75p
Local Authority 9pc Bds 4.5pc
Louisiana Land & Expln 25cts
M & G Midland & Gen Fd 11.1p
Mercantile House Var Rate Uns Ln Nts 1984/89 4.4496pc
Mount Isa Mines (Coal Finance) Short Term Nts 7.pc
Pacer Systems 3cts
Pearl Grp 7.5p
Pennzoil Co 55cts
Royal Trust Yen Bond Fund Ptg Red Pf Y2.5
St Lawrence & Ottawa Railway 4pc 5tlg 1st Mtg Bds 2pc
TR Natural Resources Inv Tst 0.872p
Treasury 8¼pc Ln 1987/90 4.125pc
Trinova 14cts
United Biscuits 8pc Deb 1993/98
United Newspapers 12p
Whirlpool Corp 27.5cts

THURSDAY JUNE 16

COMPANY MEETINGS-
Brewmaker, White Horse Hotel, The Square, Romsey, Hampshire, 11.30
CPU Computers, Sherwood Place, Copse Road, St. Johns, Woking, Surrey, 12.00
Elswick, Metropole Hotel, National Exhibition Centre, Birmingham, 12.15
Farnell Elect., Queens Hotel, Leeds, 1.00
Hewden Stuart, Copthorne Hotel, George Square, Glasgow, 12.00
Local London Grp., Hamilton House, 1 Temple Avenue, E.C., 11.00
London Atlantic Inv Tst., 91 Waterloo Road, S.E., 12.30
Portsmouth Water, Brockhampton Springs, West Street, Havant, Hants., 12.00
River & Merc Geared Cap & Inc. Tst., Bonnington Hotel, 92 Southampton Row, W.C., 11.30

BOARD MEETINGS-
Finals
British Gas
Gold Greenlees Trott
Johnson Matthey
London International
Royal Trust Yen Bond Fund
SCAPA
Smallbone
Unigate
VSEL Consortium
Interims
Body Shop Intl.
Braddock Group
Chemring Group
Ciler
Flexello Castors & Wheels
Royal Trust Japan Growth Fund
Royal Trust Sterling Bond Fund

DIVIDEND AND INTEREST PAYMENTS-
Casket 1.2p
Ellis & Goldstein 1.7p
InfraRed Associates 2.5cts
Italian Intl Sub Flg Rate Nts 1996 $435.26
Leeds Permanent Building Society Flg Rate Nts 1995 £227.80
Shiloh 2.75p
Total-Compagnie Francaise Des "B" FR20
Wellcome 1p

FRIDAY JUNE 17

COMPANY MEETINGS-
Bodycote Intl., The Grand Hotel, Aytoun Street, Manchester, 12.30
MIL Research Grp., The Butchers' Hall, 87 Bartholomew Close, E.C., 12.00
Morgan Crucible, Hotel Intercontinental, 1 Hamilton Place, Hyde Park Corner, W., 12.00
Warner Howard, Great Eastern Hotel, Liverpool Street, E.C., 12.00

BOARD MEETINGS- Finals
Calor Group
Chloride Group

DIVIDEND AND INTEREST PAYMENTS-
Abbot Mead Vickers 2.7p
Anglo American Coal 160cts
B.A.T. Inds 10.4p
EAB Finance NV Gtd Flg Rate Nts 1993 $219.22
Highland & Lowlands Bertsd 10sen
Lorin Electronics 2p
Panama (Rep of) Flg Rate Nts 1992 $478.58
Plastic Constructions 2.8p
Portsmouth Water 3.5pc 1.75p
River & Merc Geared Cap & Inc Tst 2.2p
Salar's Finance & Inv Corp 5½pc Pf 5.5cts
Senior Engineering 9½pc Uns Ln 1994/99 4¾pc

Trade Fairs and Exhibitions: UK

Current
Business to Business Exhibition (01-729 0677)(until June 15)
Business Design Centre, London

June 16-18
Personal Investment Marketing Show and Conference - PIMS (01-940 2244)
NEC, Birmingham

June 19-22
Royal Highland Show (031-333 2444)
Exbn & Trade Centre, Edinburgh

June 21-23
European Computer Communications Conference and Exhibition - NETWORKS (01-868 4466)
Wembley Centre

July 4-7
Royal Show (0203-555100)
National Agricultural Centre, Kenilworth

July 7-9
Financial Times Centenary Exhibition and Events: Personal Investment 1988
Queen Elizabeth II Conference Centre, Westminster.

July 7-10
Antiques Fair (04447 2514)
Corn Exchange, Brighton

July 8-16
World Wine Fair (including gourmet food section) (01-729 0677)
Bristol Exhibition Centre

July 15-16
Cash and Carry Fashion Fair (01-727 1928)
Kensington Town Hall

July 21-28
Trade Opportunities in China (seminar on July 22)(0772 203020)
Preston Guild Hall

Overseas Exhibitions

June 20-23
Pacific Transport Freight Distribution Exhibition and Conference (01-642 7688)
Singapore

June 21-24
International Jewellery and Gemstones Fair - INTER-JEWEL (02403 29406)
Hong Kong

June 25-July 1
International Chemical Fair - INCHEBA (01-378 7778)
Bratislava

June 28-July 1
Food Fair (01-499 0877)
Sao Paulo

July 7-10
Money Show (01-499 7774)
Kuala Lumpur

July 8-14
Hospital Exhibition (01-439 4452)
Shanghai

July 20-21
Cologne Fashion Fairs International Trend Show (01-930 7251)
Cologne

Business and management conferences

Current
International Publishers Association congress (01-580 6321) (until June 17)
Queen Elizabeth II Conference, London

June 13-14
Financial Times World Gold Conference (01-925 2323)
Vienna

June 15-16
The Institution of Chartered Accountants in England and Wales: Banking conference 1988 (01-628 7060)
The Inn on the Park Hotel, London

June 16-17
Xephon: VM performance (0635-33823)
Holiday Inn, Swiss Cottage, London

June 21-22
Financial Times/National Bank of Hungary: Doing business with Eastern Europe (01-925 2323)
Budapest

June 22
The Economist Conference Unit: Training and developing Britain's managers - the management charter initiative and its implications (01-839 7000)
Royal Lancaster Hotel, London

June 23
The Chartered Institute of Management Accountants: Management of company turnaround (01-637 2311)
63 Portland Place, London

June 23
Coopers & Lybrand: Strategy '92 – preparing for the single European market (0734 597111)
Reading

June 23
Peat Marwick McLintock: Corporate publishing - overhead or opportunity? (01-236 8000)
Queen Elizabeth II Conference Centre, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

INDICES

	June 10	June 9	June 8	June 7	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1586.6	1590.4	1591.3	1596.5	1599.8 (6/6)	1170.7 (10/2)
All Mining (1/1/80)	811.0	816.4	823.8	825.3	825.3 (7/6)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	173.08	173.16	172.86	172.78	178.92 (21/3)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/80)	4889.9	4875.9	4854.1	4812.2	5043.1 (9/3)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	218.61	217.94	215.95	213.76	218.61 (10/6)	180.68 (4/1)
FINLAND						
Unitas General (1975)	714.2	712.9	712.2	714.5	714.6 (6/6)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	350.4	344.3	340.4	338.3	350.4 (10/6)	251.3 (29/1)
Ind. Tendance(31/12/87)	130.9	130.0	126.7	126.3	130.9 (10/6)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	466.94	470.17	459.94	462.22	476.37 (18/3)	396.40 (29/1)
Commerzbank (1/12/53)	1417.7	1429.8	1398.7	1405.5	1457.5 (18/3)	1207.9 (29/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2647.42	2640.83	2608.98	2587.03	2684.13 (14/4)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	483.14	482.52	477.52	474.57	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	27920.36	28072.02	27912.65	27967.32	28072.02 (9/6)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2199.92	2208.13	2182.53	2185.18	2213.08 (2/5)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	254.5	254.4	249.0	249.5	280.3 (24/2)	205.7 (4/1)
ANP-CBS Industrial (1970)	208.8	209.5	205.9	206.2	211.7 (14/4)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	408.70	408.28	402.8	404.06	412.04 (11/4)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1046.40	1042.60	1040.51	1031.19	1046.40 (10/6)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1317.0§	1311.0	1344.0	1356.0	1361.0 (6/6)	1154.0 (4/5)
JSE Industrial (28/9/78)	1594.0§	1593.0	1594.0	1595.0	1658.0 (25/5)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	297.08	296.38	294.38	295.17	297.08 (10/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	2990.1	2995.4	2975.9	2985.3	2997.9 (6/6)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	528.6	531.3	527.5	527.0	539.5 (18/3)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	464.1	461.3	456.5	464.1 (10/6)	401.0 (21/1)

**Saturday June 4: Japan Nikkei (c). TSE (c)

§ Subject to official recalculation

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

CANADA

TORONTO

Closing prices June 10

Quotations in cents unless marked $.

Sales	Stock	High	Low	Close	Chng
116928	AMCA Int	480	415	475	+ 95
6704	Abitibi Pr	$23	22½	23	+ ⅛
10100	Acklands	$16½	16½	16½	
10300	Agnico E	$18½	18¼	18½	
47314	Alberta En	$17⅜	17⅛	17⅜	
2500	Alberta N	$13⅝	13⅝	13⅝	+ ⅛
277838	Alcan	$38¼	37⅞	38	− ¼
6403	Algoma St	$21½	21	21	− ¼
48410	A Barrick	$27⅛	26⅞	26⅞	− ⅛
1000	Asamera	$11⅜	11⅜	11⅜	− ⅛
4520	Atco I f	$9¼	9⅛	9⅛	− ⅛
169159	BCE Inc	$37¼	37	37⅛	
22269	BCE D	375	365	375	+ 5
3540	BC Sugar A	$31	30½	30⅞	+ ⅛
2030	BGR A	$11⅝	11¼	11¼	− ¼
20072	BP Canada	$20	19⅞	20	+ ⅛
44976	Bk Montl	$27⅛	26⅞	26⅞	
186320	Bk NScot	$13½	13⅛	13⅜	+ ⅛
31900	Balmoral	218	210	211	− 4
3900	Bombdr A	$11⅛	10⅞	10⅞	+ ⅛
247320	Bombdr B	$11⅛	10⅞	11	+ ⅛
21306	Bow Valy	$14¼	14	14¼	+ ¼
2910	Bramalea	$24¼	24¼	24¼	
86022	Brascan A	$26⅝	26⅛	26½	+ ⅛
80042	Brinwater	$5¼	5½	5½	− ¼
20120	BC ForP	$19⅝	19⅜	19⅜	
22885	BC Res	85	82	85	+ 3

[illegible]

Sales	Stock	High	Low	Close	Chng
500	Corby A	$18⅝	18¼	18¼	− ⅛
300	Coscan	$11½	11½	11½	+ ⅛
500	Crownx	$10¾	10¾	10¾	
92750	Crownx A f	$5⅜	5¼	5¼	
3670	Denison A	$6	5⅞	6	+ ⅛
4821	Denison B f	$5½	5½	5½	
58740	Derlan	$11⅞	11¾	11⅞	− ⅛
7653	Dickman A f	$7⅛	6⅞	6⅞	− ⅛
259050	Dofasco	$28⅜	28¼	28½	+ ⅛
636576	Dome Pete	143	139	139	− 3
47784	D Textile	$16¾	16¼	16¾	
24300	Domtar	$14¼	14⅜	14½	+ ⅛
2000	Donohue	$29	29	29	+ ½
540	Du Pont A	$28	27⅞	28	+ ⅛
8600	Dylex A	$9⅞	9⅝	9⅞	− ⅛
93000	Echo Bay	$28⅛	27⅝	27⅞	− ⅛
88600	Emco	$12½	12¼	12½	− ⅛
3100	EmpireA f	$11⅞	11⅞	11⅞	− ⅛
9300	Enfield	$7	6⅞	6⅞	− ⅛
10550	EquitySv A	$5	490	490	− 10
100	FCA Intl	$9⅛	9⅛	9⅛	− ⅛
9450	FPI Ltd	$14	13½	13¾	− ⅛
375243	Fcnbrdg	$26⅛	25¾	25⅞	
101538	Fed Ind A	$17	16⅞	17	+ ⅛
173	Fed Pion	$12⅝	12⅝	12⅝	
1245	Finning L	$22¼	22¼	22¼	
800	FCity Fin	$16⅝	16⅝	16⅝	
2675	Fords	$19⅛	19	19⅛	− ⅛
7613	FourSeasn f	$21½	21	21½	− ½
34030	Franco o	$10½	10⅛	10⅛	− ⅛
638	GW Util	$24½	24⅜	24⅜	− ⅛
24407	Galactic	$8⅛	7⅞	7⅞	− ⅛
1700	Gandalf	$9⅛	9⅛	9⅛	− ⅛

[illegible]

Sales	Stock	High	Low	Close	Chng
400	Laur Bk	$11½	11½	11½	
1300	Laur Gr B	$8	7⅞	7⅞	− ⅛

[illegible]

Sales	Stock	High	Low	Close	Chng
1984	Scot Paper	$17⅛	17	17⅛	+ ⅛
129000	Scotts f	$12	11⅞	11⅞	+ ⅛

[illegible]

Total Sales 5,273,826 shares

MONTREAL

Closing prices June 10

[illegible]

INDICES

NEW YORK DOW JONES

	Jun 10	Jun 9	Jun 8	Jun 7	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2101.71	2093.35	2102.95	2054.59	2110.08 (12/4)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.00	87.00	87.83	87.86	91.25 (3/3)	86.12 (4/1)	–	–
Transport	877.39	872.61	873.05	854.24	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	179.11	178.88	180.30	177.04	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2123.58 (2119.31) Low 2084.82 (2081.79)

STANDARD AND POOR'S	Jun 10	Jun 9	Jun 8	Jun 7	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	271.16	270.20	271.52	265.17	271.55 (13/4)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	313.66	312.47	313.91	306.54	316.53 (13/4)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	24.47	24.34	24.40	23.91	24.47 (10/6)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	152.89	152.36	152.87	149.68	153.20 (13/4)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	309.33	308.62	306.23	302.61	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	386.25	384.60	383.41	379.32	386.25 (10/6)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Jun 3	May 20	May 13	year ago (approx.)
Dow Industrial Div. Yield	3.58	3.68	3.6	2.89

	Jun 8	Jun 1	May 25	year ago (approx.)
S & P Industrial div. yield	3.08	3.64	3.29	2.52
S & P P/E ratio	14.21	14.33	13.29	23.17

TRADING ACTIVITY

† Volume (Millions)

	Jun 10	Jun 9	Jun 8
New York	155.710	236.578	311.891
Amex	11.660	16.780	17.450
OTC	145.324	143.304	155.802

NEW YORK	Jun 10	Jun 9	Jun 8
Issues Traded	1,950	1,969	1,977
Rises	868	800	1,289
Falls	573	721	295
Unchanged	509	448	393
New Highs	37	33	30
New Lows	4	4	7

CANADA

TORONTO	Jun 10	Jun 9	Jun 8	Jun 7	1988 High	1988 Low
Metals & Minerals	3071.8	3063.0	3046.8	3018.2	3063.0 (9/6)	2238.7 (8/2)
Composite	3379.9	3378.2	3366.5	3332.6	3402.4 (12/4)	2977.9 (8/2)
MONTREAL Portfolio	1672.55	1669.76	1659.22	1636.90	1681.54 (12/4)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
People's Energy	2,789,400	19⅛	+ ⅛
Texaco	2,708,500	51⅞	+ ½
Payless Cashw	2,006,600	25⅝	+ 1⅛
Exxon	1,739,400	45⅞	+ ½
Chrysler	1,656,600	23½	+ 1
Macmillan	1,508,800	75⅞	+ 2⅞
Union Carbide	1,506,200	20½	+ ⅛
Am Express	1,436,700	27⅛	+ ½
Occidental Pet	1,298,700	26⅝	+ ⅛
Gen Electric	1,295,700	43	− ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

OVER-THE-COUNTER

Nasdaq national market, 2pm Prices June 10

Continued from page 33

Stock	Div.	Sales 100s	High	Low	Last	Chng
Phrmcl	.18e	28 229	21½	21½	21⅝	− ⅛

[illegible]

Stock	Div.	Sales 100s	High	Low	Last	Chng
RossStr		11 579	6½	6¼	6¼	− ⅛
Rouse	.52	85 223	22½	22	22	− ⅛
Roylpr s		27 92	3¼	3	3¼	+ ⅛
RyanF		17 3522	5⅜	5⅜	5⅜	+ ⅛
– S – S –						
SCI Sy s		15 793	12⅝	12½	12⅝	+ ⅛
SEI s	.05e	21 475	19	18½	18½	− ½
SHL Sy s		17771	8⅞	d 8⅜	8⅜	− ⅛
Safecrd		8 15850	7⅛	6⅝	6⅞	− ⅛

[illegible]

Stock	Div.	Sales 100s	High	Low	Last	Chng
StrwbCl	1.10b	9 285	33¼	33	33	
StrucDy		24 586	17⅛	17⅛	17⅛	
Strykr s		25 76	21⅛	21⅛	21⅛	
StudL vt		26	75½	75¼	75½	+ ⅛
Subaru		2463	5⅞	5⅛	5⅛	
Sumgph		476	u13	12	12⅞	+ ⅛
Sumcrp	.40	10 242	21½	20⅞	21⅛	+ ⅛
SumtB	.72b	11 252	23½	23¼	23½	+ ⅛
SunGrd		20 690	17⅛	17⅛	17⅛	

[illegible]

Stock	Div.	Sales 100s	High	Low	Last	Chng
UnvSvg	.40	79 707	22⅛	22	22	− ⅛
– V – V –						
V Band	1e	4 634	13½	12½	13½	+ ⅛
VLSI		45 1098	10	9⅞	9⅞	+ ⅛
VM Sft		26 792	13⅛	13⅛	13½	+ ½
VWR	.80	12 6	20	19⅛	20	
ValidLg		319 1805	6½	6¼	6⅜	− ⅛
ValFSL		5 172	13	12½	12⅞	

[illegible]

Stock	Div.	Sales 100s	High	Low	Last	Chng
X-Rite	.08	17 137	25⅜	24⅞	25½	− ⅛
Xicor		20 3163	9	8⅝	8⅞	+ ⅛
Xidex		1913	5⅝	5½	5⅝	
Xylogic		8 73	9⅛	9⅛	9⅛	
Xyvsn		926	7½	6⅞	7⅛	+ 1
YlowF s	.62	18 768	28½	28	28⅜	+ ⅛
ZionUt	1.44	50	25⅞	25⅜	25⅝	− ⅛
Zondvn		33 1079	9⅛	8⅞	9	+ ⅛

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
26	14	AAR s	.36	1.6	19	372	24¼	23¼	23¼	– ⅜
12⅛	8¾	ACMIn n	1.09e	9.5		x327	11⅝	11½	11½	
12⅛	10⅞	ACMSc n	1.26	11.		797	11⅛	11⅛	11⅛	+ ⅛
10⅛	10	ACMSp n				282	10	10	10	
27	10½	AGS			21	10534	u27½	25½	27⅛	+ 1⅜
7⅞	2⅝	AMCA				297	3⅞	3½	3⅞	+ ½
8⅝	3⅛	AM Intl				504	3⅞	3⅜	3⅜	
29⅞	17	AM Intl pf	2	10.		24	19⅝	19	19⅝	– ⅛
65½	26⅞	AMR			12	8575	47⅞	47	47½	+ ⅝
27⅞	25	ANR pf	2.67	10.		9	25⅝	25½	25⅝	+ ⅛
24⅛	19	ANR pf	2.12	9.1		2	23⅞	23⅜	23⅜	– ⅛
11⅛	5¾	ARX			12	933	9⅛	8⅞	9	+ ⅜
72⅞	40⅛	ASA	3	6.7		585	45⅝	44¼	44½	– 1⅛
22⅞	9½	AVX			13	784	17⅛	17⅝	17⅝	
68⅜	40	AbtLab	1.20	2.7	16	11077	45⅞	44⅝	44⅞	– ⅛
28	15⅝	Abitibi g	1			89	19	18½	18⅞	+ ½
16⅞	8½	AcmeC	.40	3.6		11	11⅛	11¼	11¼	– ⅛
10½	6⅝	AcmeE	.32b	4.7	21	1	6⅞	6⅞	6⅞	
20	14⅛	AdaEx	3.05e	19		190	15⅞	15⅜	15⅞	+ ⅛
19¼	6⅞	AdamMl	.24	1.5	13	22	15½	15½	15½	– ⅛
24⅞	7½	AMD				4090	16⅛	16	16	
58¾	29⅛	AMD pf	3	7.1		10	42½	42¼	42¼	– ¾
11⅞	4⅝	Adobe			13	328	8⅛	8	8	– ¼
20¼	16⅛	Adob pf	1.84	10		11	18⅛	18⅛	18⅛	+ ⅛
21⅛	17½	Adob pf	2.40	11.		6	21	21	21	– ⅛
13⅛	5⅞	Advest	.12	1.7	9	139	7	6⅞	6⅞	
64¼	38½	AetnLf	2.76	6.1	6	1635	45¼	44⅜	45	
63½	41	AflPub	.40b	.7	50	691	56⅞	56	56¼	– ½
23¾	13	Ahmans	.88	5.2	11	2568	17	16¼	16⅞	+ ⅛
4⅝	1⅞	Aileen				149	3⅛	3	3	– ⅛

Continued on Page 33

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

— X—Y—Z —

12 Month High	Low	Stock	Div.	Yld.	P/E Ratio	Sls 100s	High	Low	Close	Ch'ge
30⅞	14½	Wynne	.60	2.9	52	16	20⅞	20⅝	20⅞	+ ¼
65	50	Xerox	3	5.6	10	2146	54½	53⅛	53⅞	+ ⅛
35¾	19⅛	XTRA	.64	2.0	16	109	31⅞	30½	31⅝	+ ⅜
29⅛	19½	XTRA pf	1.94	7.4		32	26⅜	26⅛	26⅛	− ⅛
49⅝	17½	Yorkin			16	466	49⅛	48½	49	+ ⅛
7⅛	2⅛	Zapata				130	3	2⅞	2⅞	
37	13½	Zayre	.40	1.9	12	3178	21⅝	20⅞	21½	+ ⅜
16⅛	8⅝	Zemex	.40	3.2	16	60	12⅝	12½	12⅝	+ ⅛
33⅝	10	ZenithE				1182	25¼	24⅝	24⅞	− ⅛
10⅜	10	Zenin n				148	10⅛	10	10	− ⅛
11½	1	vjZenLb				320	1⅛	1	1	
24	13½	ZenNtl	.80b	3.6	10	48	22⅝	22⅛	22½	+ ⅛
20⅛	11⅞	Zero	.40	2.7	14	62	14⅞	14⅝	14⅞	+ ⅛
30⅜	15	Zurnin s	.68	3.1	14	328	21⅞	21½	21⅞	+ ⅜
10⅞	7⅝	Zweig	1.34e	12.		684	u11	10⅝	10⅞	+ ⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Closing prices June 10

[illegible]

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OVER-THE-COUNTER

Nasdaq national market, Closing Prices June 10

[illegible]

Continued on Page 31

FOREIGN EXCHANGES

Adjustment takes the volatility out of US trade data

BY COLIN MILLHAM

THIS WEEK'S most important economic news will almost certainly be tomorrow's US trade figures.

For the first time since 1985 the US will issue seasonally adjusted trade data. The seasonal adjustment should sharply reduce the volatility in this series of figures, but during the month of April it is not likely to make a major impact.

Last week the US Commerce Department issued revised figures, taking into account the seasonal adjustment on back trade figures.

The dollar reacted nervously to news that on a *seasonally* adjusted basis the March US trade deficit was $11.9bn, against the earlier unadjusted figure of $9.7bn, but because of a $2bn revision in the February data the net impact *is probably not worth* worrying about.

Seasonal adjustments in April were probably less significant than in earlier months this year, and therefore there is no reason to believe that tomorrow's figures will show any strong variation between the seasonally adjusted and unadjusted data.

According to a survey by Money Market Services the US trade deficit for April was in the region of $12bn, and this is likely to be a figure that the market will regarded as significant for *the future performance of* the dollar.

Barclays de Zoete Wedd believes that if the the trade deficit is nearer $11.5bn than $13bn this could push the dollar *through Y127.40, breaking* its 130 day moving average for the first time since last October.

BZW suggests this would signal *a significant turn in the dollar's* value against the yen, but it should be noted that there are not many forecasts for the US trade *deficit as low as $11.5bn*.

If anything the general level of estimates seems to be moving higher.

Phillips and Drew forecasts a seasonally adjusted US trade deficit of $12bn in April. Warburg Securities expects a trade deficit *of $12.1bn, and County NatWest* predicts a figure of $12.7bn.

Morgan Grenfell suggests the deficit will widen in April, because March benefitted from $1.1bn of gold exports and a fall of $600m in oil exports. Neither of these gains are likely to be sustained, according to Morgan Grenfell.

This points towards a seasonally adjusted trade deficit of $13.5bn on Morgan Grenfell's calculations.

Nomura Research Institute agrees that the gold and oil situation in March gave an artificially favourable slant to the trade figures, and expects a deterioration in April.

Nomura forecasts a trade deficit of $13.2bn on a seasonally adjusted basis.

The view from London argues that a US trade deficit of $12bn in April will be regarded favourably, and that the result is likely to be significantly worse.

Last week's Japanese and West German trade figures, pointed towards a narrowing in the trade gap between the world's major trading nations, but the OECD meeting in Paris on Thursday suggested this is not happening quickly enough. The OECD warned of another possible significant weakening of the dollar if the situation is not corrected.

Tomorrow's trade figures could prove very important in deciding whether the dollar has turned the corner against currencies such as the yen and D-Mark.

The figures are also likely to be significant for sterling.

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Calls Jun	Puts Jul	Puts Aug	Puts Sep
1.750	6.50	6.65	6.95	7.29	-	0.25	0.65	1.11
1.775	4.00	4.40	5.01	5.49	-	0.61	1.22	1.80
1.800	1.55	2.65	3.38	3.99	-	1.32	2.03	2.71
1.825	-	1.48	2.12	2.77	0.81	2.41	3.25	3.91
1.850	-	0.68	1.28	1.86	3.26	4.10	4.79	5.44
1.875	-	0.24	0.69	1.10	5.70	6.10	6.62	7.21
1.900	-	0.05	0.32	0.74	8.20	8.37	8.72	9.19

Previous day's open int: Calls 566,828 Puts 539,496
Previous day's volume: Calls 31,086 Puts 16,630

£ IN NEW YORK

June 10	Close	Previous Close
£ Spot	1.8175-1.8185	1.8210-1.8220
1 month	0.085-0.07pm	0.07-0.06pm
3 months	0.38-0.33pm	0.37-0.35pm
12 months	1.61-1.49pm	1.88-1.78pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 10	Previous
8.30 am	76.8	76.6
9.00 am	76.8	76.6
10.00 am	76.8	76.6
11.00 am	76.8	76.7
Noon	76.8	76.7
1.00 pm	76.8	76.7
2.00 pm	76.8	76.7
3.00 pm	76.8	76.7
4.00 pm	76.8	76.7

CURRENCY RATES

June 10	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.750826	0.664420
U.S Dollar	6	1.36290	1.20944
Canadian $	8.75	1.66424	1.47250
Austrian Sch.	3	16.5047	14.6065
Belgian Franc	6½	49.0167	43.4311
Danish Krone	7½	8.91862	7.90251
Deutsche Mark	2½	2.34514	2.07710

*All SDR rates are for June 9

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4311	+2.29	+1.02	±1.5344
Danish Krone	7.85212	7.90251	+0.64	-0.63	±1.5404
German D-Mark	2.05853	2.07710	+0.90	-0.37	±1.0981
French Franc	6.90403	7.01357	+1.59	+0.32	±1.3674
Dutch Guilder	2.31943	2.33217	+0.55	-0.72	±1.5012
Irish Punt	0.768411	0.775981	+0.99	-0.28	±1.6684
Italian Lira	1483.58	1544.34	+4.10	+3.36	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency
Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

June 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8145-1.8200	1.8165-1.8175	0.11-0.08cpm	0.63	0.38-0.33pm	0.78
Canada	2.2115-2.2215	2.2155-2.2165	0.13-0.23cdis	-0.97	0.46-0.58dis	-0.94
Netherlands	3.50¼-3.51¼	3.50¼-3.51¼	1⅛-⅞cpm	2.99	4⅛-3⅞pm	4.70
Belgium	65.15-65.45	65.25-65.35	17-5cpm	1.99	47-32pm	2.38
Denmark	11.86¾-11.90	11.87¼-11.88¼	⅜pm-1⅛oredis	-0.51	1pm-⅞dis	0.02
Ireland	1.1665-1.1710	1.1680-1.1690	0.12-0.17pdis	-1.49	0.40-0.50dis	-1.54
W. Germany	3.12-3.13	3.12¼-3.12¾	1⅛-⅞pfpm	4.32	4-3⅞pm	4.72
Portugal	254.35-255.75	254.85-255.75	45-90cdis	-3.17	186-290dis	-3.73
Spain	206.15-206.90	206.40-206.70	20-45cdis	-1.89	65-95dis	-1.55
Italy	2321-2326¼	2321½-2322½	2-7liredis	-2.33	9-16dis	-2.15
Norway	11.40¾-11.44¾	11.42½-11.43½	4⅛-5⅛oredis	-5.05	12⅛-14⅛dis	-4.64
France	10.54-10.56	10.54¾-10.55¾	1⅛-⅜cpm	1.34	3⅛-2⅛pm	1.07
Sweden	10.88-10.91¼	10.88-10.89	1½-2⅛oredis	-2.14	4⅛-5⅛dis	-1.75
Japan	226½-227½	226½-227½	1-⅛ypm	3.96	2⅜-2pm	4.07
Austria	21.93-21.98	21.95-21.98	8⅛-6⅞gropm	4.10	25¼-22⅛pm	4.36
Switzerland	2.60½-2.61½	2.60½-2.61½	1⅜-⅞cpm	5.17	3⅞-3⅛pm	5.46

Belgian rate is convertible francs. Financial franc 65.55-65.65. Six-month forward dollar 0.83-0.78cpm 12 months 1.65-1.55cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8145-1.8200	1.8165-1.8175	0.11-0.08cpm	0.63	0.38-0.33pm	0.78
Ireland†	1.5555-1.5610	1.5560-1.5570	0.17-0.22cdis	-1.50	0.45-0.55dis	-1.28

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Looking for room to move interest rates

STERLING ROSE last week against the dollar and D-Mark, following a rise in UK bank base rates, restoring London's favourable differential over other major financial centres.

There are several UK economic figures this week, including retail sales, producer prices, unemployment, average earnings, and the public sector borrowing requirement.

In general the figures are expected to show that growth remains strong, but that inflation could be a growing problem. The PSBR is forecast to show an encouraging surplus of between £200m and £400m in May.

These figures are likely to pale into insignificance however if the US trade data produce a shock for the market.

UK clearing bank base lending rate
8½ per cent
from June 6

London was regarded as an attractive home to park speculative funds last week, ahead of the US trade figures, and the impact of the news from Washington is likely to affect the dollar and sterling more than other currencies.

A US trade deficit of around $11bn will probably increase demand for the dollar, at the expense of the pound.

On the other hand a US trade shortfall of $13bn or more is likely to lead to increased demand for high yielding currencies, and particularly sterling.

The Bank of England took the opportunity last week to nudge UK bank base rates up ½ p.c. to 8½ p.c., but the pound has since moved higher, and the situation is very delicately poised.

If the dollar suffers losses on the trade news, sterling is likely to be a major beneficiary, reducing the room for further increases in UK interest rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 10) 3 months US dollars		6 months US Dollars	
bid 7⅝	offer 7¾	bid 7⅞	offer 7⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	9	One month	6.04	Three year	8.17
Broker loan rate	8¼	Two month	6.27	Four year	8.37
Fed funds	7¼-⅞	Three month	6.65	Five year	8.50
Fed funds at intervention	-	Six month	6.98	Seven year	8.74
		One year	7.44	10-year	8.94
		Two year	7.98	30-year	9.04

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON MONEY RATES

BASE LENDING RATES

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 3.46% Sureswise 6.18%. Top Tier-£10,000 + instant access 8.08% & Mortgage base rate. § Demand deposit 3.00%. Mortgage 9.125% - 9.5%

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 30,744

A=Ask B=Bid C=Call P=Put

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., *in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY JUNE 10 1988 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	THURSDAY JUNE 9 1988 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1988 High	1988 Low	Year ago (approx)
Australia (88)	144.39	+0.1	117.82	119.04	3.76	144.27	117.85	119.37	145.74	91.16	138.22
Austria (16)	87.59	-0.1	71.47	78.27	2.61	87.67	71.61	78.34	98.18	84.35	87.49
Belgium (63)	124.68	+0.3	101.73	111.00	4.54	124.31	101.54	110.98	139.89	99.14	117.17
Canada (125)	125.02	+0.4	102.01	110.35	3.07	124.52	101.72	110.14	125.49	107.06	127.15
Denmark (39)	132.72	+0.7	108.29	118.01	2.46	131.83	107.69	117.40	132.72	111.42	120.45
Finland (25)	138.32	+0.0	112.87	118.40	1.77	138.34	113.00	118.40	138.34	106.78	-
France (128)	99.62	+0.0	81.29	90.75	3.57	99.61	81.37	90.71	99.62	72.77	109.11
West Germany (99)	78.10	-0.8	63.72	69.81	2.66	78.71	64.29	70.36	80.79	67.78	91.25
Hong Kong (46)	106.35	+0.1	86.78	106.64	4.29	106.20	86.75	106.50	106.35	84.90	123.72
Ireland (18)	138.05	+0.8	112.64	124.97	3.79	136.97	111.88	124.15	138.05	104.60	128.03
Italy (102)	71.32	+0.3	58.20	68.07	2.94	71.14	58.11	67.96	81.74	62.99	99.45
Japan (456)	174.43	-0.2	142.33	137.72	0.52	174.76	142.75	138.31	177.27	133.61	159.45
Malaysia (36)	144.12	+0.0	117.60	142.82	2.55	144.12	117.73	142.79	144.14	107.83	169.27
Mexico (14)	167.64	+1.1	136.79	417.91	1.20	165.75	135.39	412.27	176.90	90.07	236.49
Netherland (38)	107.98	+0.4	88.11	95.12	4.86	107.60	87.89	94.80	110.66	95.23	117.55
New Zealand (21)	82.24	+0.2	67.11	62.30	5.86	82.11	67.07	62.39	82.24	64.42	98.91
Norway (25)	127.20	+0.6	103.79	108.60	2.78	126.47	103.31	107.59	132.23	98.55	138.40
Singapore (26)	119.83	+0.2	97.78	111.44	2.25	119.63	97.72	111.39	119.83	97.99	141.87
South Africa (60)	134.93	+0.4	110.10	87.07	5.04	134.39	109.78	86.72	139.07	118.16	165.48
Spain (42)	163.48	+0.1	133.40	140.82	3.07	163.27	133.37	140.76	163.48	130.73	114.73
Sweden (36)	123.84	-0.3	101.05	109.81	2.59	124.20	101.45	110.27	125.50	96.92	114.30
Switzerland (55)	80.95	-0.2	66.05	72.12	2.37	81.08	66.23	72.18	86.75	75.60	92.01
United Kingdom (327)	139.71	+0.5	114.00	114.00	4.28	138.96	113.51	113.51	141.18	123.09	152.33
USA (578)	110.43	+0.3	90.10	110.43	3.54	110.04	89.89	110.04	110.52	99.19	123.52
Europe (1013)	110.82	+0.2	90.43	95.33	3.73	110.60	90.34	95.20	110.82	97.01	121.22
Pacific Basin (673)	170.56	-0.2	139.17	135.60	0.71	170.85	139.56	136.16	172.26	130.81	157.23
Euro-Pacific (1686)	146.68	-0.1	119.68	119.57	1.63	146.76	119.88	119.87	147.53	120.36	142.86
North America (703)	111.20	+0.4	90.74	110.44	3.51	110.81	90.52	110.07	111.28	99.78	123.71
Europe Ex. UK (686)	92.89	-0.1	75.80	83.66	3.24	92.99	75.96	83.77	92.99	80.27	101.91
Pacific Ex. Japan (217)	123.92	+0.1	101.12	109.08	3.93	123.79	101.12	109.22	123.92	87.51	130.17
World Ex. US (1885)	145.83	+0.0	118.99	119.06	1.71	145.89	119.17	119.33	146.49	120.26	142.60
World Ex. UK (2136)	131.42	+0.0	107.23	116.28	2.08	131.38	107.31	116.38	131.42	111.77	133.46
World Ex. So. Af. (2403)	132.12	+0.1	107.81	116.25	2.27	132.02	107.84	116.31	132.12	113.26	134.94
World Ex. Japan (2007)	111.86	+0.3	91.27	105.01	3.62	111.54	91.11	104.75	111.86	100.00	123.58
The World Index (2463)	132.15	+0.1	107.82	116.05	2.29	132.04	107.85	116.10	132.15	113.37	135.15

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Constituent Changes: Deletion: Stanley Continental (U.S.) Name Changes: Allegis Corp. to UAL Corp. (U.S), Ferranti to Ferranti Intl. Signal (U.K.), Grt. Lakes Forest Prods. to Canadian Pac. Forest Prods (Canada), Lion Corp to Lion Nathan (New Zealand) and Westcoast Transmission to Westcoast Energy (U.S.)

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

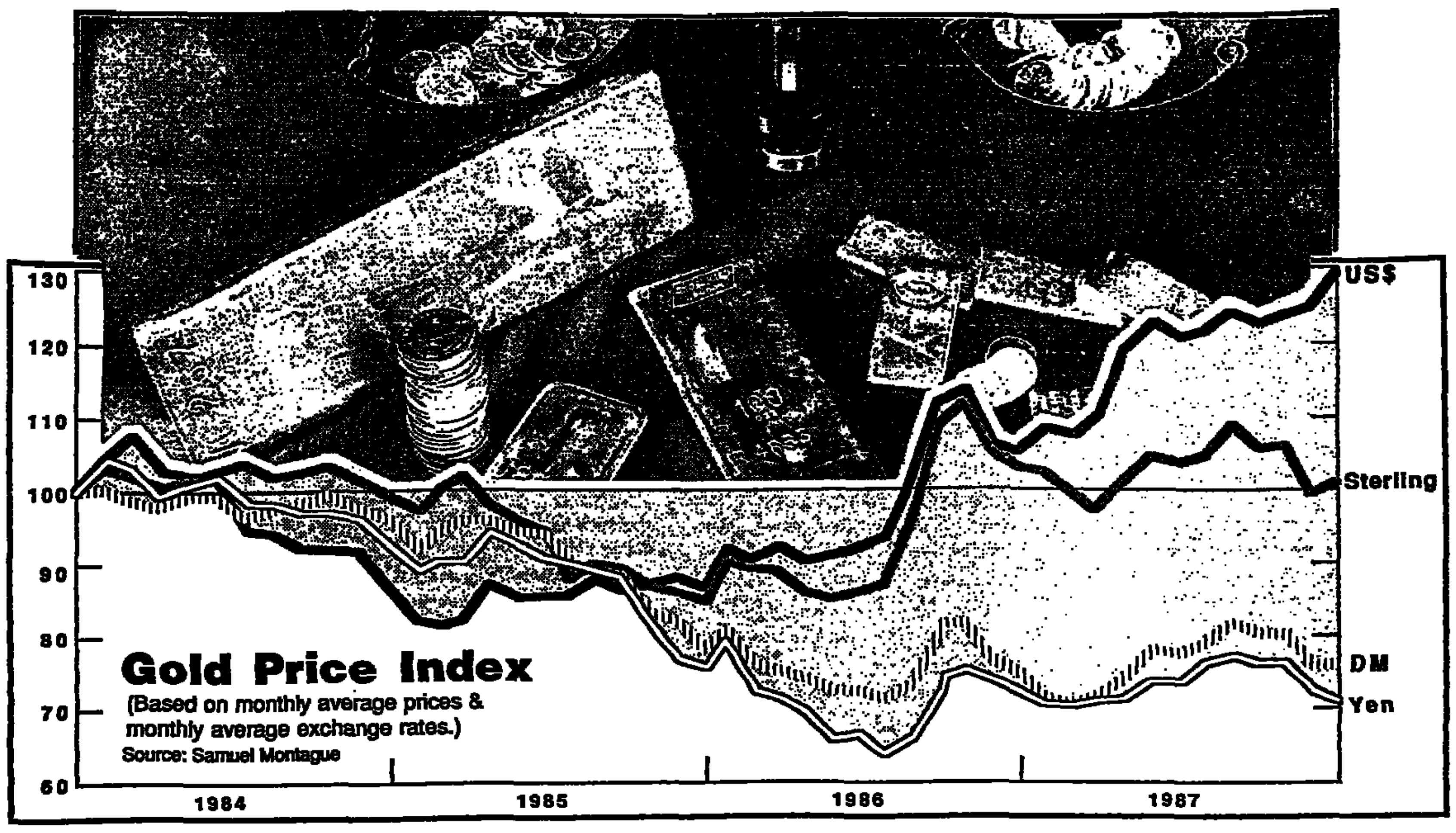
SECTION III

FINANCIAL TIMES
SURVEY

Since the stock market crash, gold prices have been held back by heavy producer-selling, but a collapse has been prevented by Far East buyers attracted by the low yen price, as **Kenneth Gooding**, Mining Correspondent, reports here.

CONTENTS

Silver prices settle down; boost for platinum; London bullion market PAGE 2
Upsurge in Western mining; Soviet Union's output PAGE 4
The promotion of gold; US gold futures; bullion gold coins PAGE 5
Focus on gold production in Australia; South Africa; Canada PAGE 6



Gold Price Index
(Based on monthly average prices & monthly average exchange rates.)
Source: Samuel Montagu

Gold and Precious Metals

Taiwan calls the tune

THE BEHAVIOUR of precious metals prices when the stock markets crashed on October last year was very instructive. Gold benefitted briefly from the dash for cash and bounced towards $500 a troy ounce, its highest level since February, 1983.

Platinum and silver dropped sharply. They were widely perceived to be mainly industrial metals which would suffer in the recession many people feared would follow the stock market turmoil.

In recent weeks these two metals regained their composure and platinum in particular has been much in demand from the Far East as a hedge against incipient inflation.

Gold managed to disappoint both the optimists and pessimists in turn in the nervous months since Black Monday, during which time the world economic situation and the condition of stock markets have been considered somewhat fragile.

This, in retrospect, should have caused no surprise. For the gold market is one of the most complex and difficult to forecast for two main reasons:

Gold is the most internationally-held financial asset and those involved in the market come from a wide variety of political and economic systems. The behaviour of these investors is very difficult to predict or analyse.

Secondly, the gold market is influenced by a multitude of factors such as the rate of inflation, the dollar's position, interest rates, alternative investments, the pattern of production growth, demand for jewellery, the attitude of central banks, the psychological mood, the international political situation and so on.

For traditional gold bugs, October's crashing markets, the devalued US dollar and the threat of future inflation as the central banks pumped new money into the system should have meant that the gold price rose dramatically.

When instead the price slipped sedately back below $450 an ounce there were widespread predictions that the rot had set in and gold was on its way down to $350 or even lower.

There were several reasons why gold failed to take off vertically after Black Monday. There was, for example, a certain amount of selling of hoarded gold by people who had previously invested in the metal because they believed the stock markets were too high. They cashed it in, often to cover other pressing commitments caused by the crash.

But the most substantial element in the equation was the gold producers themselves.

When gold rose briefly to $490 an ounce on October 19 "producers everywhere, including South Africa and the Soviet Union, tried to capitalise on the high prices and sold", says Mr Jeffrey Nichols, president of the New York-based American Metals Advisors consultancy group.

Mr Robert Guy, chairman of the newly-formed London Bullion Market Traders Association and a director of merchant banker N M Rothschild and Sons, agrees. "The new major gold mining companies have become a major influence on the movement of the gold price. The rise in the gold price above $470 was an opportunity too good to miss".

In Mr Guy's words, producers rushed to "lock in profitability" by selling forward as much future production as possible at the high price.

As part of this process, there was a veritable stampede to raise gold loans.

These have been used as a method of financing for some years but it is only recently that they have started to make an impact on the market.

The technique involves a commercial bank lending gold which it is holding on behalf of a central bank or government to a mining company. The miner sells the gold into the market, or more often applies it to meet forward sales commitments entered into in advance of the loan. The proceeds are then typically used to fund the development of a mine and the loan, which remains denominated in gold, is repaid in gold out of future production over a number of years. In the event of a shortfall in production, the mining company has to cover its repayments by buying bullion.

The banks charge low interest rates, usually between 1 and 2.5 per cent, because they see gold loans as a way of earning a return on part of their otherwise dormant gold reserves which usually just lie there attracting storage costs and insurance premium payments.

The low interest charged helps increase the appeal of gold loans for mining companies, particularly at a time when raising money on stock markets is difficult and unattractive.

A gold loan has the same effect as a forward sale in that it insulates the company from the risk of any fall in the gold price for at least a portion of its production. The loss of any potential upward movement is regarded as an acceptable price to pay in return for an extremely *convenient* means of financing.

The system is particularly attractive to the Australians, firstly because the tax-exempt status of the gold mining industry makes it unattractive to borrow conventionally at high interest rates and, secondly, because the industry includes many very small companies which would have difficulty in providing security for more orthodox borrowing.

Mr Peter Fells, an executive director of Consolidated Gold Fields, suggested recently that gold loans accounted for about half of all reported financing by Australian gold mining companies in the three years to mid-1987. (The first Australian gold loan was arranged in 1984 to finance the Kidston gold mine in Queensland).

Although gold loans do not represent a net increase in supply, they do accelerate the process by shifting the supply of gold to the market from the future to the present. The huge surge in gold loans since last October obviously played a major part in holding the price below $500 an ounce.

Mr George Milling-Stanley, author of the annual Consolidated Gold Fields survey of the gold market, suggests that in 1987 the market absorbed as much as 100 tonnes of the metal from this accelerated supply.

Mr Nichols of American Precious Metals Advisors reckons that gold loans totalled 1.2m ounces (37 tonnes) in the first

Continued on page 2

KEY INDICATORS IN THE WORLD GOLD INDUSTRY

HIGHLIGHTS of the gold market in 1987, according to Consolidated Gold Fields' authoritative annual survey, were as follows:

□ The total supply of gold to the non-communist private sector was steady at 2,008 tonnes, compared with 2,021 in 1986.

□ Within this total, mine production rose from 1,291 tonnes to 1,373 tonnes, the highest ever recorded.

□ The 6 per cent rise in mine output was more than offset by lower sales from the communist bloc, 303 tonnes against 402 tonnes, and reduced levels of old gold scrap, down from 471 tonnes to 402 tonnes.

□ The official sector retained its positive attitude towards gold, reducing the supply available to the private sector. Net official purchases totalled 79 tonnes, down from 143 tonnes in 1986.

□ Although the industry's average cash production costs rose from $188 a troy ounce in 1986 to $227, the average price increased by twice as much - by $79 an ounce to $446, although it was steady in Japanese yen, Swiss francs and West German deutschmarks.

So far this year the price has averaged $452 an ounce.

□ Mine supply from South Africa fell in 1987 by just over 5 per cent to 607 tonnes. US production rose 31 per cent to 155 tonnes, Canadian output increased 14 per cent to 120 tonnes and production in Australia was up 44 per cent to 108 tonnes.

□ The total amount of gold required for fabrication of all types fell by 5 per cent from 1,673 tonnes to 1,589 tonnes. The fall was entirely attributable to the surge in 1986 caused by demand for the Japanese Hirohito bullion coin programme.

□ Fabrication into carat jewellery accounted for 1,138 tonnes of the total, up a little from 1,104 tonnes. The developing world was responsible for all the increase.

□ Gold used for minting official coins fell from the record 317 tonnes in 1986 to 207 tonnes. Gold consumed in industrial applications, including electronics, dentistry and others, remained almost unchanged at 244 tonnes.

□ Identified gold bar hoarding outside Europe and North America increased by 25 per cent from 220 tonnes to 275 tonnes.

□ Turnover on the major futures and options exchanges around the world rose by 25 per cent.

□ The supply of gold, both new and scrap, exceeded the demand for fabrication and hoarding by 144 tonnes against 128 tonnes in 1986. The firmness of the gold price throughout the year suggests that this excess of supply over identifiable demand was easily absorbed by investors in Europe and North America.

GOLD AND PRECIOUS METALS 2

SILVER

Prices settle down

SILVER seems to be settling down after the roller-coaster ride prices took through 1987. And although production looks like exceeding demand for the foreseeable future, there are encouraging signs in the market.

Not least has been the re-opening of the world's deepest primary silver mines – Hecla's Lucky Friday and Sunshine's Sunshine Mine in the Idaho Valley in the US – which were forced to close in 1986 because of low prices. Lucky Friday re-opened a year ago and Sunshine last November as prices settled above $6 an ounce.

"The US is now back up and kicking," says Ms Rhona O'Connell, precious metals analyst with Shearson Lehman Brothers in London. She estimates that US production this year will be at its highest for many years at 1,460 tonnes, following 1,160 tonnes last year and 1,064 tonnes in 1986.

Nevertheless, the fact remains that supplies, which Shearson puts at 15,468 tonnes this year, remain well above consumption at an estimated 13,850 tonnes. *This balance has been in surplus* since the turn of the decade. And although the situation is nowhere near as bad as it was, it makes critical two of the factors which are likely to influence the price of silver in the near future – coin sales and the price of oil.

Whether the astonishing success of the market for silver coins can be continued is open to question. Last year specially minted coins such as the Statue of Liberty, Ellis Island and Silver Eagle dollars soaked up 970 tonnes of silver, and Shearson puts the off-take this year at 1,050 tonnes – almost double the previous peak in 1983.

Ms O'Connell believes this resurgence of grass roots interest in the metal has given the market a new spirit. But she wonders how long it can continue.

"The man in street has opened the way for the silver market to be healthy," she says. "But it can only rely on him up to a certain point. I can see could see purchases dying off a bit. It's going to need some marketing - no doubt about that." However, the potential is there, she believes, especially in the Far East, where investors have tended to go for gold and, particulalry in Japan, for platinum. The Olympics are coming up, and Seoul will be marketing both gold and silver coins.

The oil price she sees as pivotal to the silver market both this year and next because it is crucial to perceptions of inflation. If it has bottomed out and rises steadily for the next decade it will, she argues enhance inflationary concerns and give added value to silver in the medium term. And in the short term "fluctuations in oil revenues accruing to the Middle East consistently affect silver prices in both directions, given the importance of the Middle East in the marketplace."

But if the oil price doesn't take off, nothing will sustain prices *above $7.50 for any length of* time, she says.

A further important factor in the market has been the significant demand from India, which became a net importer in 1986 and has since continued to buy silver. The price reached $15 an ounce in Bombay at one stage last year – more than twice the London figure.

In addition, Mexico and Peru, the world's two biggest producers, set aside about 310 tonnes to cover silver-backed certificates which have been issued to spark investment interest in the metal.

The view of silver as a precious metal is critical even though demand is 80 per cent industrial. Only through investment sales can the world's surplus silver be mopped up.

Primary production of silver accounts for just 17 per cent of output, while approximately 60 per cent is a by-product of lead and zinc mines, 17 per cent a by-product of copper mines, and 8 per cent a by-product of gold mines.

The opening of new gold and base metal mines accounts for most of the expected increases in silver production, and is therefore insensitive to the price and economics of the silver market itself, the New York-based American Precious Metals Advisors group warned in a report earlier this year.

However, all is not bleak on the industrial front. Industrial consumption has grown slowly but surely since bottoming out in 1983 at 11,050 tonnes, according to Shearson, and is expected to reach 12,800 tonnes this year.

The increase has been underpinned mainly by photography, particularly in Japan and the US. Samuel Montagu's latest Annual Bullion Review puts the offtake from the photographic sector at 44 per cent of total industrial demand in 1987, when consumption in the jewellery, silverware, electrical and electronic sectors remained flat.

Shearson puts secondary supplies this year at 4,200 tonnes, compared with 7,505 tonnes in 1985. But it does not expect the downtrend to continue at such a rate in the years ahead, as new recovery processes are constantly being devised.

Prices this year look set to oscillate between $6 and $7 an ounce – a range which Samuel Montagu says seems, at current exchange rates, to be a fair valuation and "a level with which both producers and consumers are comfortable." Shearson projects the average price for this year at $6.50, compared with $7.02 for 1987.

American Precious Metals Advisors Group also believes the silver price could still perform relatively well in the next year or two – "if precious metals enjoy a strong bull market, if the Americans – who still favour silver – become excited again about hedge media and/or if world business activity continues to improve."

"However, the next bear market could be particularly severe for silver because little of the new production will be shut down at lower silver prices," the group warns.

David Blackwell

World silver industry

SUPPLIES 1987	In millions of ounces	In metric tons	CONSUMPTION 1987	In millions of ounces	In metric tons
Mine production	338.7	10,535	Industry	376.2	11,700
Scrap recovery	67.5	2,100	Coinage	24.1	750
Demonetised coin	1.9	60	Net exports to India	4.0	125
Government disposals	14.5	450			
Net imports from Communist countries	7.1	220	Government stocks	7.1	220
Total supply	429.7	13,365	Total consumption	411.4	12,795

Source: Samuel Montagu

PLATINUM

New industrial applications send world demand soaring

PLATINUM had a remarkable year in 1987, thanks mainly to the continuing growth in its use as a catalyst for cleaning up car exhaust emissions and a big surge in demand from the Japanese.

Both Johnson Matthey, which claims to be the world's largest platinum refining and marketing organisation, and Shearson Lehman, the London brokers, put 1987 demand at more than 3m ounces for the first time.

Johnson Matthey has demand higher than supply at 3.32m ounces, a rise of 15 per cent over 1986, with supply 9.5 per cent ahead at 3.1m ounces, while Shearson has supply of 3.2m ounces and demand at 3.06m ounces.

The growth in the market for autocatalysts is playing a double role – driving demand upwards and changing the perception of platinum from a precious metal to an industrial metal. According to Johnson Matthey's latest platinum report, auto-catalysts accounted for the biggest slice of total Western World demand for 1987 – 35 per cent. Adding in the demand from other industries – including the petroleum, glass, electrical and chemical sectors – gives a total of 55 per cent industrial usage, with the remaining 45 per cent taken up by jewellery (30 per cent) and investment (15 per cent).

The demand for platinum for autocatalysts in Western Europe soared by 85 per cent last year to 225,000 ounces, and demand is expected to continue its rapid growth as EC legislation on car exhausts begins to take effect.

There appears to be no fear of demand drying up for some years, for this is a relatively new market. In other industries where platinum is well-established as a catalyst the metal is continually recycled, requiring only a top-up in supply of about 5 per cent each year.

Recycling of the early auto-catalysts fitted to US cars in 1973/74 started about 18 months ago, according to Ms Rhona O'Connell, precious metals analyst with Shearson Lehman. "But it's a very long haul to full recycling – we won't see it in full swing until the end of the decade."

The other principal fear that a different catalytic process could be discovered using cheaper materials has also been brushed aside by Johnson Matthey, who believe that platinum is now the accepted material, and that efforts to find an alternative are diminishing.

That being so, and with European legislation in place, Ms O'Connell puts the additional off-take for European catalysts by 1994 at between 18 and 22 tonnes.

Meanwhile, the Japanese have had a big effect on the market, absorbing what Ms O'Connell describes as "a phenomenal amount" of platinum, with what Mr Geoffrey Robson of Johnson Matthey sees as "an astonishing surge" in demand from both investors and jewellery manufacturers.

The surge in demand began towards the end of last year and has continued into this year. Japan, the West's largest regional market for seven of the last 10 years, has found platinum relatively cheap in yen terms. According to Johnson Matthey, sales last year soared by 63 per cent to an estimated 1.65m ounces – way above the previous record level of 1.38m ounces in 1975.

The big market is for jewellery.

World platinum figures

• Supply	1985	1986	1987
South Africa	2,340	2,350	2,520
Canada	150	150	140
Others	40	40	40
	2,530	2,540	2,700
USSR Sales	230	290	400
TOTAL SUPPLY	2,760	2,830	3,100
• Demand By Region			
Western Europe	400	470	580
Japan	1,250	1,010	1,650
North America	1,010	1,190	900
Rest of Western World	170	170	190
	2,830	2,840	3,290
Western Sales to Comecon/China	30	40	30
TOTAL DEMAND	2,860	2,880	3,320
	(100)	(50)	(220)
	2,760	2,830	3,100

Source: Johnson Matthey, 1988

■ PLATINUM is being increasingly perceived as an industrial metal, as against a precious metal. Last year the demand for platinum in the western world amounted to around3,100,000 oz, according to analysts at Johnson Matthey. The major applications usage – in auto-catalysts – amounted to 35 per cent of the world demand. The next major usage area was in the jewellery sector – 30 per cent. Other areas of demand last year were: Investment sector, 15 per cent; chemical industry, 6 per cent; electrical industry, 5 per cent; glass sector, four per cent.

Japan accounts for more than 90 per cent of the world demand for platinum jewellery, and the Japanese bought 21 per cent more jewellery in 1987 compared with the previous year.

"The fashion trend strongly favours it, and it is at a low price in yen terms, attracting both jewellers and investors," explained Mr Robson.

Indeed, investment in platinum, although well down elsewhere in the world, almost double in Japan, with investors making substantial purchases of 500 gramme and 1 kg bars.

In February Japanese trading statistics revealed that the country had imported 11½ tonnes (371,000 ounces) – easily trouncing the previous record of 8.76 tonnes set in November, and almost three times the 1987 average monthly import of 4.3 tonnes.

Johnson Matthey, in a report at the time, said this substantial offtake had helped to re-establish platinum's premium over the gold price. By last December, following the impact of October's Black Monday stocks crash, both gold and platinum were at $485 an ounce.

In spite of this low the average price for platinum last year was $556 an ounce, $98 above 1986 and the highest since 1980. Until very recently gold has hovered around $450 an ounce, with platinum $80 to $100 an ounce higher. Johnson Matthey suggests the price is likely to fluctuate $50 either side of $500 an ounce for the rest of this year.

Japanese demand has also drawn the USSR into the limelight on the supply side. According to Sumitomo of Japan, the USSR sent 11½ tonnes of platinum to Japan in 1987, 170 per cent above the previous five-year average.

Last February alone Japan took 4½ tonnes of Russian metal. But this was not all fresh supplies, according to Johnson Matthey, who believe a significant amount of the Russian platinum was released from old stocks previously held in Europe.

However, the group attributes the rise in total world supplies to an increase of 110,000 ounces of primary aluminium from the Soviet Union, taking the country's export total to non-Communist countries to 400,000 ounces.

South Africa continues to dominate the world supply of platinum, with output last year rising by 170,000 ounces to 2.52m ounces, according to Johnson Matthey. Nine new prospective platinum mines in the country have been announced in the past 18 months. But the group believes fears of over-supply in the 1990s are "premature" because it is far from certain that the new mines will come on stream or produce at the anticipated rate.

Any hint of a South African move to curb supplies in retaliation for trade sanctions is enough to move the platinum market sharply upwards, but Mr Pik Botha, the Foreign Minister, said last month that his country would not withhold supplies of strategic minerals from the West.

"Basically, fundamentally this government does not believe in any form of boycotting or interfering with trade," said Mr Botha.

However, Ms O'Connell of Shearson Lehman suggests that industrialists, particularly in Japan, worried by the possibility of curbs on South African trade, have been stocking up.

"Whatever happens, it will be a very tight market for 18 months. It will not ease off until the start of the next decade," she believes.

David Blackwell

Launch of the London Bullion Market Association

A boost for the market

IT WAS to be expected that members of the newly-formed London Bullion Market Association would want to celebrate with a dinner in the baroque environment of the Goldsmith's Hall in the City. What could not have been foreseen was that the underlying serious intent of the organisation would immediately become apparent.

For Mr Robin Leigh-Pemberton, the Governor of the Bank of England, used the occasion to express misgivings about the recent surge in gold loans with which mining companies raise finance for future production.

Taking advantage of his opportunity to put an important point to an informed audience, Mr Leigh-Pemberton said the apparent good returns on gold loans had led to the involvement of banks and other intermediaries with little or no understanding or previous experience of the bullion market.

He stressed that he had no doubts about the ability of the leading bullion houses to assess and manage the risks of gold loans – "but I would be less confident about other intermediaries who may be attracted to this market.

"It would be a matter for regret if such firms were to find themselves unduly exposed and at the very best able to meet their commitments only at a substantial and unanticipated cost.

"The ramifications, particularly if they were to spill over to create potentially disorderly markets, should not be under-estimated".

Having wagged a warning finger, ever so gently, Mr Leigh-Pemberton congratulated the members for the successful launch of the LBMA.

The gold and silver markets have a long and distinguished history in London. Their development has run in parallel with the City's growth as an international centre and can be traced back more than 300 years.

The Bank of England always maintained close links with the bullion markets, partly because gold was until recently at the core of the international monetary system. And London was the major centre for bullion trading.

At its peak it is estimated that more than three-quarters of the free world's new gold output was added to world supply through the London market.

That long and successful chapter in London's history ended abruptly in 1968 when the two-tier pricing system for gold was introduced and the market was briefly closed. The Swiss snatched away much of the physical trade for gold and London's role as the major distribution centre for new gold output was severely curtailed.

The gold market had to adjust, extend its range of customers and seek new opportunities. It was successful, undoubtedly helped by the inflationary environment of the 1970s which saw the price of gold rise from $35 an ounce in 1968 to over $850 at the peak just over ten years later.

London has become a trading forum which acts both as a clearing house for the round-the-world, round-the-clock gold market and the custodian of what is called "loco London" gold, that is gold which is traded and held in London on account of traders worldwide.

That success attracted new participants in the London gold market and their arrival was one of the main factors behind the formation of the LBMA.

There used to be only five market-makers: Mocatta & Goldsmid, Samuel Montagu, Mase-Westpac, N M Rothschild and Sharps Pixley. They are the members of the London Gold Fixing who have been meeting twice each working day in an upstairs room at Rothschilds since 1916.

But many others have now set up precious metals trading rooms in the City. And, apart from the five "fixers", the LBMA market-making members include Chase Manhattan Bank, Credit Suisse, Deak International, Drexel Burnham Lambert, the First National Bank of Boston, Morgan Guaranty Trust, Philipp Brothers and Shearson Lehman Hutton.

Another reason for the formation of the new Association was the new UK Financial Services Act. As a result of this the Bank of England took supervisory responsibility for the wholesale bullion market and needed a formal body with which it could liaise on a regular basis.

The Bank will ensure that bullion trading in London is undertaken in accordance with its Code of Conduct, covering such matters as the need for confidentiality, market ethics, unacceptable inducements to conduct business, ways of avoiding conflicts of interest and a variety of other disciplines crucial if standards are to be maintained at the level expected.

So the new association was formed. Mr Robert Guy of Rothschilds, the first chairman, points out that the LBMA represents all the main participants in the market, be they dealers, refiners, or providers of vaulting and shipping facilities.

"One objective is, of course, to attract even more business to London", he says. "We believe that this new structure and the Bank of England's Code of Conduct will not only assist the growth of individual members but will also enhance the confidence placed in London by overseas traders and by investors and producers alike.

"Investors and producers also need good market places and our objective is to persuade them that London is a good centre with which to do business."

The challenge which the LBMA members now face, as Mr Leigh-Pemberton pointed out, is to ensure that their market continues to flourish within the more stable economic and currency environment created in the past few years.

"There is no room in any of London's markets for complacency, for relying on natural time zone advantages or on our long history of bullion trading, to maintain our position", he pointed out.

"Other centres, closer to the newer sources of (gold) supply are developing – Hong Kong, Singapore and Australia, for example, and they will be looking to exploit their natural advantages and to challenge the more established centres.

"In these circumstances it is particularly important that the London market should continue to maintain the highest possible standards of business conduct, integrity and reputation for fair dealing, while at the same time providing an open environment which does not needlessly hamper firms' ability to compete".

Kenneth Gooding

Taiwan calls the tune

Continued from page 1

two months of this year and, when other forward sales are taken into account, the additional gold sold in January and February reached 2.7m ounces, (84 tonnes).

What is unquantifiable, however, is the psychological effect on would-be investors who for the first time have their attention drawn to the fact that the industry apparently apparently sees little possibility of the gold price going much higher and is selling as much as possible via gold loans.

The subject came to general attention when at the beginning of this year Newmont Mining, which is rapidly becoming North America's biggest gold producer, revealed it had raised $460m cash by way of a 1m-ounce (30 tonnes) gold loan, twice the size of any previous gold loan.

The *Newmont loan "focused* the mind of the investment community – which *usually does not* look very closely at gold – on the fact that there is a supply and demand factor to be taken into account." *says Miss Rhona* O'Connell, an analyst with the London Metals Research Unit of Shearson Lehman Hutton.

What she has in mind is that, although the gold market is mainly demand-driven, some account has to be taken of the fact that between 1985 and 1988 the mining industry will spend $3.2bn on new capacity to bring *on stream* an extra 238 tonnes of annual gold production – equiv*alent to nearly one fifth of total* western world output in 1986.

However, if producer selling is putting a lid on the gold price, heavy buying in the Far East has come to the rescue and put a firm base under the price.

During the first quarter of 1988, Japan, Hong Kong and Taiwan *between them imported* 324 tonnes of gold bullion, equal to 89 *per cent of the non-communist* world's production in that period *or 70 per cent of the estimated* total amount of gold available to the market over that time once alternative sources of supply, including gold loans, are taken into the calculation.

This is partly because, as the chart at the start of this survey indicates, in Japanese yen terms gold has not been so cheap for years and many Far Eastern currencies are tied firmly to the yen.

Japan is also changing the way it taxes small savers and the low yen-denominated price of gold might well revive their interest in the metal. Japan's traditional tax-free savings system, Maruyu, was abolished in April this year, but under current laws the profits earned on gold trading are still exempt from tax if trading volume is under Yen0.5m a year (about $4,000).

Traders estimate that about 300 tonnes of gold is likely to be imported to Japan this year, with perhaps half for investment purposes.

There is an estimated Yen300,000bn ($2,400bn) in savings deposits now subject to the new 20 per cent tax on interest, and dealers expect to see a shift of some money into other investments. They point out that if only 1 *per cent* is moved into gold that would soak up about *1,660 tonnes of the metal,* For comparison, it be remembered that *non-communist world out*put this year is likely to be about 1,400 tonnes.

Central banks also are playing their part in supporting the gold price by exchanging rapidly-depreciating US dollars for gold. Reflecting the central banks' positive attitude, the official sector made net purchases of 70 tonnes of gold in 1987 following a net addition of 143 tonnes the previous year, according to Consolidated Gold Fields, the UK-based mining finance group.

"*It is clear that central banks* in general remain convinced of the *value of holding a substantial* portion of their reserves in the *form of gold*", says Cons Gold's Mr Milling-Stanley.

A spectacular switch from dollars to gold is being made by Taiwan which bought 65 tonnes of the precious metal last year, most of it in the last three months, then increased the pace in 1988. So far four months of this year Taiwan has bought 186 tonnes of gold to tuck away in its official reserves.

The Government of Taiwan has taken the unusual step of confirming that it is a substantial buyer of gold, probably because it is feeling sore about the brickbats hurled at the central bank over its decision in the early part of last year to maintain a large amount of the country's burgeoning foreign exchange reserves in dollars. This necessitated substantial write-downs.

Taiwan is also able to kill two birds by importing its gold from the US and thus reduce its heavy trade surplus with that country – a matter of acute embarrassment for the Taiwanese authorities.

Once again, the psychological impact of the publicity given to Taiwan's policy cannot be underestimated. Gold bulls have not been slow to point out that the proportion of that country's reserves held in gold remains well below the general level for central banks in the industrialised world.

As Mr Milling-Stanley points out: "This is characteristic of the governments of the developing world and clearly any decision to move closer to European levels of gold in official reserves could have a significant impact on the gold market".

In the meantime, the Cons Gold survey attempts to show that the substantial shift in the mood in the industrialised world in favour of gold as an investment gathered momentum in 1987.

So far this year, gold has maintained its attraction for investors, many of them concerned about the stability of the international financial system. The survey suggests: "Gold still has a role to play as a form of insurance against crisis, whether political or financial".

Investment

Some coins more equal than others

LONDON, 1 June. The multitude of coins available today places many a novice in a quandary. They are offered in all sizes and designs, and at all price levels through ads or at banks or coin dealers.

Caveat emptor. Not all that glitters is a coin. *Basically, there are five different types.*

1. Bullion Investment Coins. Gold bullion investment coins are sold solely for the intrinsic value of the precious metal. They are produced in large numbers by major gold producing countries, such as Canada, Australia and U.S., thus are traded at a small premium over the actual price of the metal. As they are a pure investment vehicle, like gold bars, they have no numismatic value. They are favored over gold bars by investors as a store value, as they are more transportable and easier to trade. The value is easy to keep track of, as their price is based upon the daily fixing of gold.

2. Numismatic Coins. In general, these are coins which are bought by collectors for their beauty, as opposed to the value of their precious metal content. However, *a truer definition would include* those coins struck prior to 1804. The price has no relation whatsoever to the actual value of the metal. The factors determining the price of a coin are rarity, age, and condition or ... the striking.

3. Semi-numismatic Coins. These are coins that were struck after 1804, however prior to 1850. The same criteria as those used with numismatic coins are used in determining their value. The buying and selling of one of these coins is, however, easier since they are available in greater quantities than those struck prior to 1804.

4. Current Coins. *Current coins are those* struck after 1850 and were in circulation during the time of the gold standard. There are still large quantities of these coins available today. The price is related to their gold content plus a fairly high agio.

The collecting of numismatic and semi-numismatic coins can also be considered a form of investing, however usually it is merely a rather expensive hobby. Current coins fall into a category *between hobby and investment, since they also maintain ... value, even if the price of preci... should fall.*

5. Medallions. ... so collectables, bu... dered an investme... ssued at some ... s an annivers... e in value i... iced and t... tur ally... plays a v... o...

Is ... in...

NEW YORK ... blems in the ... United States ... ing the exper... health of the ... question if thi... or are more ... closing, resulting ... all their customer... *point to similarities to* ... to the crash of '29, just ... have arguments to point o... different. This adds to the co... uncertainty that ... around for a safe h... before it is lost to ... failure.

All paper instru... or securities, are s... tions caused by i... control of fina... government bodies. ... out that precious me... gold, offer the ideal store of ... value is intrinsic and not a... that of paper money.

Gold is international... to the fortunes of any ... banking system. It can bri... sense of security, as it i... surance policy a... would come in a b...

Gold Maple Leaf makes a breakthrough

World's gold coin standard / Grows in popularity / Even attractive for small investor.

OTTAWA, 1 June. Gold, prized as a store of wealth over the ages, has not lost its shine even in the age of high technology and cashless transactions. This has been felt recently by the Royal Canadian Mint. According to a spokesman for the Mint, demand for the Gold Maple Leaf, the Canadian gold bullion coin which is struck in four sizes, has recently been brisk. Observers of the financial world contribute this to various factors. The primary reason is felt to be its universal recognition which ensures ease of trading wherever gold is sold around the world. Of almost equal importance is its unusual purity of .9999 or 24-carat. Most other gold coins rarely exceed .916 or 22-carat, the purity of the South African Krugerrand (which is no longer being produced).

A further aspect is that the Gold Maple Leaf is legal tender in a country known for political stability and for being a dependable trading partner. Since the coin is easily convertable currency, it is sold in most countries free of a value added tax. This is true in Luxembourg, Switzerland and Austria, while a minimal tax is charged in Belgium (1%) and Holland (4%).

Since the Gold Maple Leaf is struck in ...r sizes, it is able to satisfy the varying ... needs of all investors. It is ... ne full troy ounce of pure ... 1/4 and 1/10 ounce of ... es the coin attractive

the benefits of owning gold. The Gold Maple Leaf, which has been available since 1979, is produced only from gold mined in Canada.

This accounts for its unusual yellow color compared to coins mixed with alloys. The use of Canadian gold is a requirement of the charter of the Royal Canadian Mint and it serves to support the Canadian mining industry. Gold was first discovered in Canada in 1858 and has been continually mined ever since. Canada is currently the third largest producer of gold in the world.

This objective is clearly being fulfilled, as indicated by sales results of the Canadian coin. Since its introduction in 1979, over 11 million Gold Maple Leaf coins – that's over 300 tons! – have been sold around the globe. The biggest jump came in 1985, when sales doubled. This was caused by a favorable price of the precious metal and an increasing interest in this bullion investment coin, following the demise of the South African coin.

Why do more and more investors prefer bullion coins to its cousin, the gold bar, or wafer as it is sometimes called? One key reason is their liquidity – a coin enjoys universal recognition and can't be counterfeited. Gold bars may enjoy a solid reputation in their local market, however usually require a ...ty and time-consuming assay in other p... of the world. Gold bullion coins are ... by governments, whi... ...ight and

respect, the Royal Canadian Mint is especially strict. Although the purity of each Gold Maple Leaf is given as .9999, it is actually closer to .99995. The weight on each coin is strictly controlled, with the weight struck on the coin being a minimum guaranteed by the Government of Canada. Independent tests have even shown that the coins are all above the minimum, showing that the Royal Canadian Mint gives a little gold away to ensure they meet the guarantee. No other coin has yet to show similar results.

It is fair to point out that a gold coin, and a bar for that matter, provides the owner with no interest. However, it can be still considered an investment instrument, but for other reasons. This is because it is a speculative object. But, more significantly, gold has been proven over time to be the surest store of value. Gold bullion coins will not multiply but, as the saying goes, they bring peace of mind. They can anchor a portfolio that is made up primarily of more speculative instruments, as they will gain in value when others are losing theirs. Inflation and economic crisis only eat up other investments, while feeding the value of gold. That's why most experts agree that 10 to 20% of a portfolio must be in gol... An ideal way to keep this golden n... with Gold Maple Leaf bullion ... With no guarantee of the fu... ...onomy, it is comforting t... ...e purity and weight a...

...mendation of most banks a... experts, in every individua... portfolio. The question is ... best way to own gold?

The choice between bullion c... bars, certificates or a precious me... account depends upon the wants and needs of the individual investor. In addition, such aspects to consider are the availability of gold, the possibilities for resale and also personal taste of the ultimate owner.

Weight and Purity. Traditionally, the gold trade has dealt in troy ounces – one troy ounce equals 31.1035 grams. Today, however, the metric weight system is also accepted and used, thus gold is available in grams, kilos and tons.

Of particular importance is the purity or fineness of the gold. With small bars, or wafers as they are sometimes called, and the leading bullion coins, such as the Gold Maple Leaf, a purity of .9999 is normal. This means that the given piece contains no more than one ten thousandth of foreign matter. However, it really means that a greater purity is not possible nor really necessary.

Coins – solid and liquid. One differentiates, more or less, between numismatic coins and newly minted coins, or the so-called bullion investment coins. Nu...

...*nt coins* ... – 1 ounce, ...nce – so that inv... gold to meet their i... ...ans or needs.

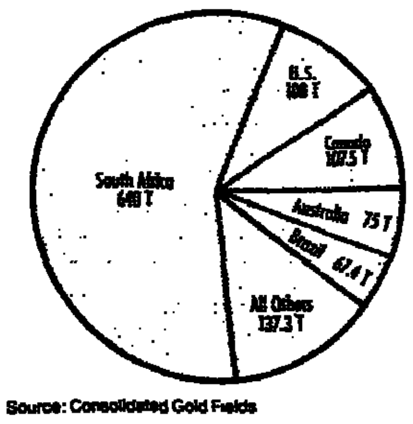
Most bullion coins enjoy international recognition and cannot be counterfeited. They can be exchanged for cash on demand most anywhere in the world where gold is traded. This contrasts to gold bars, which have been known to be counterfeited, thus usually require an assay to determine their purity. This is not only costly for the seller, but also takes time and requires formalities. The price of the leading coins can be found in the financial pages of most major newspapers. Or it can be determined from the daily fixing of gold. Many countries impose a sales tax on gold coins, as well as bars.

Bars-Familiar but not universally recognized. The majority of bars sold today range from 1 gram up to 12.5 kilograms. The small bars are produced at a purity of .9999 fine gold. The trade accepts only bars from a reputable refinery which have a serial number. When there is

... of a bar a... ...ith coins, ... Taxes vary by c... ...are usually similar to ... The price is directly relat... ...ily fixing of gold, which is qu... ounces.

Gold Certificates – Paper as good as gold. The advantage of this form of investment in gold is that no tax is levied on the *ownership of gold. The precious metal* remains in the possession of a bank, which usually maintains this in a no-tax area. The disadvantage is that there is usually a minimum purchase amount, that varies from bank to bank – for example 10 Gold Maple Leafs or 500 gram bars – which makes this form unattractive for small investors. Another factor is that one doesn't have possession of the gold, which reduces some of the psychological benefit of owning gold.

1986 Non-Communist Gold Production



Source: Consolidated Gold Fields

Investment can also be beautiful

FRANKFURT, 1 June. The Royal Canadian Mint created not only a major bullion investment coin, but also a coin recognized and appreciated around the world for its beauty. Although this is not the main criteria in choosing an investment instrument, many find added value in the quality of the design and striking.

As with all Canadian currency, the front depicts the effigy of Queen Elizabeth II, reflecting the historical relationship with England. The reverse side shows the symbol of Canada, a maple leaf, which has been captured to perfection by the engraver.

Prominently displayed are also the key facts about the coin, such as its origin; value (either $50 Cdn, $25 Cdn, $10 Cdn or $5 Cdn); weight (either 1, 1/2, 1/4, or 1/10 ounce); purity – .9999; and date of striking. The first coin was struck in 1979.

Success doesn't always travel

FRANKFURT, 1 June. Anonymous sources in banking circles in Frank... ...ch and London indicate that ...ns do not enjoy the same level ...s in Europe as they do in their ...arkets. The European investor ...ues to favor more traditional ...roducts, such as small bars or ...etter established Gold Maple

...xperts say that less popular coins ... do not enjoy the same li... ...e popular coins.

...n ...of?

...xperts and ... to advise ... sets of gold ...an investment. ... Canadian Mint, ... the world's largest ...lion investment coin, ...roduce a proof set of ...ple Leaf.

...an for the Mint, ...urch, *has said "It* ... to critical analy... ...stors want bul... ...oins due to their ... also due to the

...int does not ...y having a ...al bullion ...estment coin.

...and downs of gold coin

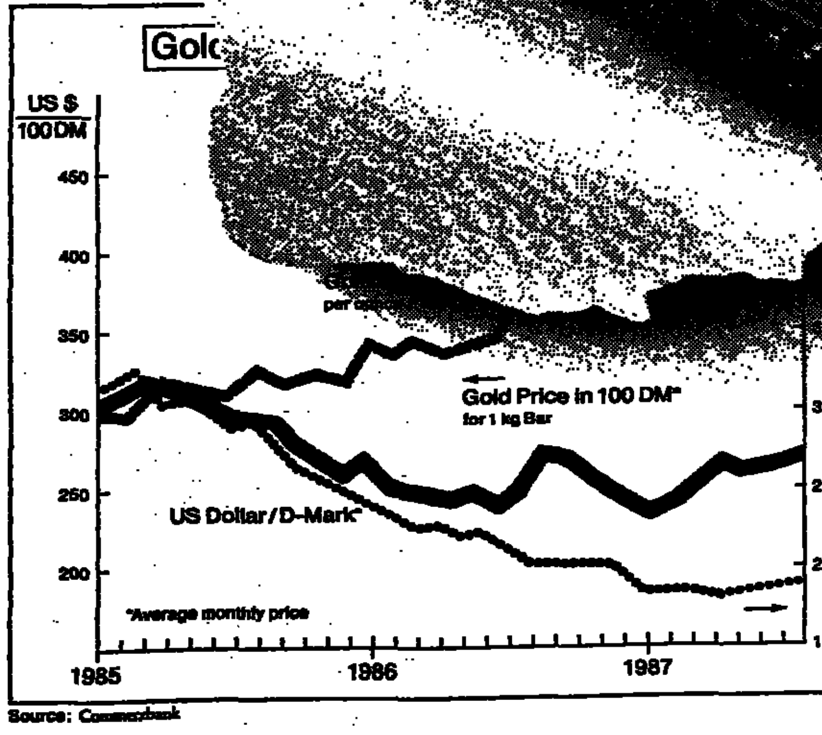
...WAN, 1 June. Leading ...sts point to the alarming statis... ...1% of the U.S. households ...35% of all the assets. This ...tuation in the late 20's. ...ately led to the cur... ...e the middle and ...re over-extended ...y. The result is ...ery heavy ... placed upon the ...ancial institutions. Parallel to this is the increasing interest in speculation among the moneyed few, forcing the stock market to test its limits daily.

Gold production up

OTTAWA, 1 June. With a yearly production of over 100 tons (107 tons in 1986). Canada is *third largest producer of gold in the non-communist* world.

The first discovery was made in 1858 at Cariboo, British Columbia. Today, forty-one mines produce the majority of this precious yellow metal. However, *prospectors still roam the backwoods,* searching for the hidden lode and dreamed-of riches.

The greatest amount of gold is mined in Ontario. Recent discoveries in the region around Hemlo made headlines around the world and boosted share prices. The main reason for the jump was the revised estimate of the gold reserve in this area: before the discovery reserves were felt to be around 130,000 ounces – today they are known to be closer to 17 million fine ounces of pure Canadian gold. Enough to keep the Royal Canadian Mint busy striking Gold Maple coins to meet the needs of investors around the world.



Source: Commerzbank

Cavelti "Time-proven investment"

Since the price of gold was freed in 1970 to move with market forces, it has risen to new heights, and fallen just as often.

Precious metal and finance experts continually try to analyze the price development. But, the gold metal remains unpredictable. Rising or falling dollar exchange rates, wars, and financial crises are no longer a guarantee for a rise in the price of gold.

The peak in the price of gold was reached at $850 for one ounce in 1980. Currently, the price ranges between $400 and $500. In spite of this, investment advisors recommend to follow the golden rule – hold ten to fifteen percent of an investment portfolio in gold.

The reason is simple, explains Peter C. Cavelti, President and Chief Executive Officer of Cavelti Capital Management Ltd. in Toront, Canada, and an internationally recognized expert on precious metals: "Gold is an unbeatable *investment vehicle that* protects prosperity at all times, even during crisis." Cavelti has banking experience in U.S., Africa and Asia and belongs today to the most sought-after precious metal advisors.

Western mining activity reduces the domination of South Africa, the world's major gold producer

The new prospectors are major corporations

ELKO, just off Interstate 80 in the ranch and sagebrush country of northern Nevada, is probably the fastest-growing town in the US. The reason for its rapid change of status is that Elko is at the centre of the new US gold rush.

The town is a non-descript place, standing at the crossroads where waggon trains once split up, some going off to California, others to Oregon.

Until fairly recently Elko relied mainly on tourism and Nevada's legal gambling for its income. The town has three casinos, but if you want more than just basic shopping you have to drive 280 miles south-west to Salt Lake City or 260 miles south eastward to Reno.

In the old days, the town would come alive on Saturday nights as the cowboys arrived in force, their six-guns strapped to their hips – this is a town where weapons are illegal only if they are concealed.

Now the town is always full of bustle and the influx of geologists and exploration crews make it virtually impossible to find room at any of the motels.

The newcomers mainly work for companies which are using the town as a base from which to do their gold prospecting: American Barrick, the Cordex Syndicate (which owns the Dee mine); Freeport McMoRan; Newmont; and Placer Development.

Gone are the days when a prospector could find gleaming gold nuggets in a stream bed. In place of the high-grade lode mines, where a vein of gold was dug out, the thirty or so new Nevada mines are all very low-grade epithermal deposits of disseminated gold, in micro-sized particles quite invisible to the naked eye, on or just below the surface.

The gold is very unevenly spread through the ore and computers are needed to keep track of the different grades so that balanced mixtures can be fed to the mills.

But the climate conditions and ore types of Nevada favour another form of relatively new gold mining technology – heap leaching.

This is a low-cost process first used in Nevada in the early 1970s and it involves suitable coarsely-crushed ores being piled up on a pad and sprinkled with a weak solution of cyanide which leaches out the gold content.

In the new gold rush you need more than a grubstake of a few dollars. Big bucks are needed today simply to trace the gold. So the new prospectors are not private individuals but major corporations. But, just like the old days, those that make a lucky strike can go from rags to riches almost overnight.

Particularly well-placed are the companies operating in a 70-mile tract of mountain and cattle range straddling Interstate 80 beneath which is the Carlin Trend, a muddle of faults, zones and geological overthrusts which many observers believe to be the best gold formation outside South Africa and the Soviet Union.

Newmont Gold, which owns more than four-fifths of the Goldstrike property on the Carlin Trend, one day early this year was drilling in the snow near the site of the mill and pulled out a core which assayed at 0.93 ounces of gold per tonne for 470 feet of its length. Mr O. D Christensen, who runs exploration for Newmont, says: "It was the greatest hole drilled in the history of gold mining".

Recently Newmont announced a further increase of 55 per cent in its geologic gold resources to 30.9,m ounces (961 tonnes). Analysts reckon that Newmont's gold production will rise from about 900,000 ounces this year (28 tonnes) to 2m ounces (62 tonnes) in 1992 of which about 500,000 ounces will come from the Carlin Trend.

The life of its mines, even at the 1992 production rate, is expected to be more than 15 years during which time Newmont seems likely to be North America's largest gold mining company.

Its neighbour on the Carlin Trend is American Barrick, a company formed from a merger as recently as 1984. Now it is one of North America's fastest-growing gold producers with annual production in 1987 of 225,000 ounces, (7 tonnes).

American Barrick has direct interests in six producing mines and a seventh starts up shortly but the major growth will come from the Goldstrike property in the Carlin Trend.

Production from this property reached 40,000 ounces (1.2 tonnes) last year but, following the installation of increased milling capacity, production should be around 110,000 ounces (3.4 tonnes) this year and 175,000 ounces (5.4 tonnes) in 1989.

Some analysts say it is not unrealistic to estimate Barricks's share of production from the Goldstrike property to reach about 660,000 ounces (20.5 tonnes) annually by 1990-91.

So the Carlin Trend can be expected to go on for some years contributing to the substantial increase in US gold production. According to Consolidated Gold Fields' estimates, US gold output last year rose by 31 per cent from the 1986 level to 155 tonnes. Of this 80 tonnes, or 52 per cent, was produced in Nevada. The second-largest producing state, California, accounted for 21 tonnes, up from 13 tonnes in 1986.

Among the other expansions in the States noted by Cons gold in its annual survey were the Amax Sleeper mine which will go up to 250,000 ounces (6 tonnes) a year and Bingham Canyon, ultimately owned by BP, which is scheduled to produce no less than 257,000 ounces (8 tonnes) of gold as a by-product.

Cons Gold highlights the development of gold mining outside South Africa, the world's largest producer.

It says: "As recently as 1980 the combined production of the US, Canada and Australia was less than 100 tonnes of gold a year. By 1985 the total had grown to more than 200 tonnes and in 1986 it was a whisker under 300 tonnes.

"Last year each member of the trio exceeded the 100 tonne mark, taking the total to 383 tonnes and there can be little doubt that combined production will top 400 tonnes in 1988".

Supply of gold from South African mines last year fell by 5 per cent to 607 tonnes (including 2 tonnes from Bophutatswana) partly because of a strike which cost the output of about 10 tonnes. But the higher price of gold in local currency terms lowered the pay limits – the cut-off grade at which the minium amount of gold in a tonne of ore will earn sufficient revenue to cover the costs of mining, processing and marketing the gold.

The country's mining law obliged the South African mines to reduce their average grades further to 5.49 grammes a tonne compared with the 5.81 grammes recorded in 1986 and consequently the total amount of gold produced fell as there was only very limited scope for raising plant throughput.

In comparison, Australia last year lifted gold output by 44 per cent to 108 tonnes. Output from about 40 new mines contributed 15 tonnes to the national total, highlighting the cumulative importance of these relatively small operations.

"Many of the new (Australian) mines exploit surface or near-surface deposits and would typically have cash operating costs of around half the average gold price in 1987, a major reason for their popularity", points out Cons Gold.

Western Australia was again the most productive state last year, accounting 71 per cent of all the country's output.

Canada's mine output, taking into account undeclared production from placer deposits in the Yukon, increased by 14 per cent to 120 tonnes in 1987.

Ontario continued to be the area of highest output with Noranda's Golden Giant mine in the Hemlo gold belt leading the field.

Two big mergers took place in Canada last year: between Placer Development, Campbell Red Lake and Dome Mines to form Placer Dome, while International Corona Resources, Royex Gold Mines, Lacana Mining, Mascot Gold Mines and Galveston Resources also plan to get together.

These mergers will create two of the largest gold producers in the Western World with annual production of well over 1m ounces (31 tonnes) each.

Kenneth Gooding

Production of precious metals in the Soviet Union

A puzzle for Western analysts

DID THE Soviet Union accidentally or on purpose reveal details of its precious metals production? That is the question which has been taxing analysts since January this year.

Information about Soviet mine production has been sketchy since 1933, when Josef Stalin declared it to be a state secret. Since then the non-communist world has had to rely on estimates by analysts who glean what they can from the Soviet technical press.

However, in January the Bank for Foreign Trade, apparently inadvertently, released production figures for six years from 1970 to 1985 for gold, silver, platinum, palladium, and several other metals and minerals, in a prospectus for the first-ever Soviet bond issue in western Europe.

The statistics were picked up by a Swiss newspaper, the Schweizerische Handels Zeitung, but were at first were not widely disseminated outside Switzerland.

Eventually they were presented to a wider audience by one of the precious metals and commodities research and consulting groups which track Soviet activities, the CPM Group (Christian, Podieska and van Musschenbroek).

The figures revealed a picture of quite rapid growth through the 1970s, with a rise in production of more than 50 per cent over the decade. This was followed by a period of comparative stability through to 1984.

CPM suggested that the most notable feature revealed by the figures is that they appeared to show Soviet gold production fell by 13 per cent from 312 tonnes in 1983 to 271 tonnes in 1985.

The research group went on to point out that the statistics were very close to estimates produced by western analysts.

"In fact, the data are so close that it raises the question of whether the source for the bank's information was western estimates", said CPM.

Another close observer of the world gold scene, Mr George Milling-Stanley, author of the Consolidate Gold Fields annual review, said that, if the Soviet Union wished to spread disinformation, the best approach would be to present phoney figures close to those made by western analysts.

Indeed, at a recent conference in Hong Kong, Mr Eugene Ulianov, head of the precious metals department of the Soviet Bank for Foreign Trade, told those delegates who enquired about the figures that they were wrong.

In the question-and-answer session he showed considerable humour when baiting those who pressed for details about Soviet gold trading activities.

"We don't want to make unemployment problems in western countries any sharper or deprive those many economists in gold companies who are working to try and estimate the scope of production and sales of gold by the Soviet Union", he said.

"We know these estimates and calculations are the bread and butter for these economists. But to make their work more interesting we act not only as pure sellers of gold, but as buyers, using various methods".

Undaunted by these ploys, CPM estimated that gold exports from the communist to the non-communist world last year reached about 9m troy ounces (about 279 tonnes), down from the high level of 13.2m ounces (410.5 tonnes) in 1986 but still high compared with export levels from 1982 to 1985.

'If the Soviet Union wished to spread disinformation, the best approach would be to present phoney figures close to those made by Western analysts.'

CPM suggested that, in spite of the reduction in shipments, communist bloc exports appear to have remained at levels higher than the Soviet authorities prefer. Communist mine production is estimated to be running at an annual rate of about 12m ounces (373 tonnes).

"Even after allowing for some gold being recovered from secondary sources, this does not provide a large amount of metal available to meet both internal domestic consumption requirements and exports", CPM pointed out.

"It would appear that the Soviet Union, the largest gold producer and exporter among the communist countries, may well have had to draw from its official gold reserves in 1987 in order to meet the combination of communist bloc domestic demand and exports. This would have been the third consecutive year in which the Soviet Union would have been drawing down its reserves. An estimated 1m to 3m ounces (31 tonnes to 93 tonnes) were withdrawn from official reserves annually in 1985 and 1986."

The Consolidated Gold Fields review gives estimates of communist gold trading very similar to those by CPM. Cons Gold suggests that imports of gold to the west from the communist bloc during 1987 totalled 303 tonnes against 402 tonnes sold the previous year.

The review says that gold output in the Soviet Union is likely to have been between 320 tonnes and 330 tonnes last year, a rise of about 10 per cent from the 1986 level, and the country maintained its position as the world's second-largest gold producer after South Africa (607 tonnes).

Cons Gold points out that the communist bloc's other major producer, China, still hopes to achieve an annual rate of growth of 18 per cent in official gold production of the next three years as the government recognises the metal's importance as a source of foreign exchange.

Curiously, Cons Gold does not give estimates of China's gold production but other analysts suggest it is between 60 tonnes and 70 tonnes a year.

Cons Gold does say, however, that the Chinese government still fails to recognise it needs to offer a realistic price if it is to secure more of the gold produced by individuals and small groups who are raising output most rapidly.

"The official buying price was last raised in January 1986 but is still under the equivalent of $300 an ounce. An international price which averaged almost 50 per cent over this level was available in Hong Kong and this provided a powerful incentive to smuggle gold out from the mainland", the review states.

The author, Mr Milling-Stanley says there have been renewed suggestions from time to time over the past year that one or other of the leading communist producers was dumping gold onto the international markets.

"Such comments reflect a fundamental misunderstanding of the situation. Both the Soviet Union and China are major producers in world terms, ranking respectively second and seventh in the global league table. As such they can be expected to feature regularly year after year as substantial sellers to the world market, in exactly the same way as, for example, the US or Canada".

Pointing to the sophistication of the Soviet gold trading, he says that last year Soviet dealers continued to make good use of the gold futures and option markets to maximise revenues and there were indications that at times some of their dealings were undertaken on behalf of other principals, with the Russians acting effectively as brokers.

Kenneth Gooding

The promotion of gold

Contrasting views

"McDONALDS spends $450m a year promoting its hamburgers. De Beers spends $120m a year promoting diamonds. How much does the gold industry spend on promoting its product? A measly $1 an ounce of gold produced, or about $50m a year.

"It seems to me the producers feel that, as far as gold is concerned, the laws of supply and demand have been suspended".

This comment from a London analyst is fairly typical. The western world's gold producers, who together have an annual turnover of about $10bn, frequently are accused of failing to promote their product adequately at a time when there is to be a big surge in supply.

But the critism is not wholly valid. The gold producers have in the past year or so firmly established the World Gold Council as their promotional vehicle.

The WGC this year has a budget of $65m raised by way of a levy on each ounce of gold produced by each member.

But much of this is used to encourage other organisations to promote gold in specific ways to their own advantage. For example, this year a number of companies have guaranteed to provide another $30m for various gold jewellery promotional projects.

More than 70 gold producers from seven countries are backing the WGC which is based in Geneva, Switzerland, and whose current president is Mr Gordon Parker, chairman and chief executive of Newmont Mining of the US.

A good many of the same companies are also providing funds for the Gold Institute which has its administrative office in Washington, DC, in the States, and where Mr Fraser Fell, chairman of Placer Dome of Canada, was recently elected president.

The Institute has a modest annual budget of $0.5m and does no overt promotion of gold. Its task is to collect world-wide statistics about the gold industry and to track trends in the business.

In a way the Institute, which has 68 members from 16 countries, acts as the eyes and ears of the industry and also has to have a nose for potential trouble.

The Institute was incorporated as a non-profit organisation in Toronto, Canada, as long ago as 1976 and claims to be the largest association of miners, refiners, bullion suppliers, manufacturers of gold products and wholesalers of gold investment products.

In contrast, the WGC is an association of gold producers only. It emerged about 18 months ago to succeed the International Gold Corporation (Intergold) which was wound up.

Many former Intergold people and premises are employed by the WGC but it is a very different organisation. To start with, Intergold was financed entirely by the South African Chamber of Mines.

Mr Elliot "Chick" Hood, chief executive of the WGC, says the move for a change of sponsorship came from the staff of Intergold who could see clearly that South Africa's importance as a gold producer was relatively declining as output in countries such as Australia, Canada and the US, grew rapidly.

The new organisation is slimmer than Intergold, having had the chance to re-think its policy. Research established that the WGC should concentrate primarily on promoting gold jewellery – but only in the six major markets (the US, Japan, West Germany, France, Italy and the UK) and Switzerland.

Promoting gold as an investment in the US, West Germany and Japan, should also pay big dividends, the research indicated.

With these objectives in mind, the WGC has rationalised its own organisation. A year ago it had three divisions, 12 offices anbd 195 staff and covered 20 countries.

Now, in the certainty that it was spreading its resources too thinly, it has stopped promoting jewellery in 11 minor markets, cut the number of offices to nine (Hong Kong, Tokyo, London, Milan, Munich, Paris, New York, Rio de Janeiro and the headquarters in Geneva) by closing down in Brussels, Barcelona and Johannesbourg and reduced its staff to 185.

Promotion of jewellery, the cornerstone of gold demand and which accounts for well over half of annual useage, is getting the lion's share of the WGC budget: $31m.

The WGC jewellery division works mainly with the jewellery trade and industry. By doing so it is able to coordinate consumer promotion and stimulate increased direct involvement by the trade in special projects.

The WGC can also more easily monitor consumer and trade developments because of its intimate association with the jewellery business.

Mr Hood says that promoting gold jewellery in the US, where $3m will be spent on television advertising this year, has number one priority for the WGC.

Second on the list is promoting gold as an investment in Japan.

The WGC has had an investment advisor in Japan for some time, attempting to interest more financial institutions in gold bullion and investments backed by gold.

It has promoted schemes such as gold accumulation plans which enable an investor to commit to regular monthly payments to buy gold at the current price so that over a period, say ten years, a substantial investment in bullion has been built up.

The WGC has given help with the formulation of gold accumulation plans, not only in Japan, where a gold bullion dealer has launched one, but also in Western Europe. Eight West German and three Swiss banks now offer these schemes which already have attracted more than 10,000 investors.

Mr Winfried Kilp, who is in charge of the WGC's investment division – which receives about 26 per cent of the available funds – points out that the organisation must rely on banks and other financial institutions to take up its ideas and launch their own investment products.

A common thread to the WGC's spending in the investment sector is that the money is all going into areas where the results can be easily measured.

This is certainly the case as far as gold bullion coins are concerned. The WGC has been heavily involved in the development and promotion of coins because a number of mints recently have been attempting to fill the gap left in 1984 when South Africa stopped producing the Krugerrand.

Three new gold bullion coins were launched in 1987 alone and the WGC sees a good chance to build sales back to 200 tonnes a year – after the Krugerrand went out of business the use of gold in coins fell from 250 tonnes to 100 tonnes a year.

Mr Kilp admits, however, there is a limit to what can be achieved in the coin sector – "getting private funds into gold is the key to a really big expansion in the use of gold as an investment", he says.

Kenneth Gooding

Bullion gold coins

Big battle for market shares

THERE IS a mighty battle going on for leadership in the burgeoning gold bullion coin market between the US Eagle and the Canadian Maple Leaf. And the strenuous marketing efforts being put behind these two products is buoying up the whole of the gold coin business.

Last year, gold bullion coins used 207 tonnes of the precious metal – more than all the gold mined in Latin America in 1987. So the industry has a vested interest in the struggle.

In particular, coins have brought the concept of gold investment to the attention of the private individual by making the bullion market seem more accessible as well as less mysterious.

Circulation of gold bullion coins on a serious scale started with the launch of the South African Krugerrand in 1969. During the next 20 years coins absorbed about 330 tonnes of the metal or roughly 13 per cent of the total new supplies of gold into the western world during that period.

The Maple Leaf was launched in 1979 and since then has used gold equivalent to half of Canada's production in that time and accounted for C$5.5bn in exports.

The Canadian coin had a clear run for a some time following the gradual demise of the Krugerrand after the South African coin's importation was banned by several Western countries. But in the autumn of 1986 the US introduced the Eagle.

In the first ten weeks, 55 tonnes of Eagles were sold and the Maple Leaf was almost wiped out in the US. It has since made a tentative recovery, however.

Last year another two important gold bullion coins came to market: the Golden Nugget from Australia and the Britannia from the UK. Their declared aim was to win 10 per cent and 5 per cent

Continued on page 6

Prices swing in US gold futures

Sharp rise expected

THIS YEAR'S gold futures prices have yet to show much reaction to the growing concern about inflation that has taken hold of the US stock and Treasury bond markets. But traders remain sensitive to these fears, and at the New York Commodity Exchange (Comex), futures traders are expecting a sharp rally in prices soon.

Comex's gold futures contract has seen prices swing back and forth on an inflationary wave since its inception at the end of 1974. In this way, the futures price has climbed from its record low of $101 per troy oz in mid-1976 to a high of $875 per oz just four years later. The Reagan years have, however, been a quiet time for the futures market as inflation fears have been buried in the USA's longest post-war boom.

This could soon change as US investors are plagued by concern that the economy is overheating and may run into inflation later this year.

"The trading floor is cautiously bullish," on the gold futures market for the rest of the year, says Mr John Hanemann, Comex chairman. Inflation fears traditionally draw much money into the gold market, although "people are waiting until they're absolutely sure this time...they don't want to get caught."

Comex's gold futures contract, which started up on December 31 1974, following the removal of the gold standard and the lifting of restrictions on personal gold ownership in the US, has grown into a popular hedging tool for gold producers and a speculative instrument for institutional investors.

While the heart of the physical bullion trade is still rooted in London where the London Metal Exchange conducts its gold "fix" twice each day, New York is recognised as a centre for hedging and speculation.

New York's gold market dates back to the time of the American Civil War, although US gold trading had a chequered existence until the gold standard was lifted in 1971. Gold futures got off to a modest start with the contract trading just 34,000 lots a month during 1975 – its first year of trading. Since then, volume has grown by leaps and bounds and the amount of gold traded through Comex's futures contracts last year was 22 times greater than western mining production for the period.

Like most futures markets, Comex's business has been affected by the fall-out from the stock market crash in October last year, and its volume has dropped as investors have taken a stand-off. This saw gold futures volume at some 600,000 contracts in April, or a daily average of close to 45,000 lots, compared with the exchange's own record of 1.26m lots in March 1982.

During the last several years, there has also been a shift in gold futures business away from the individual investor's account, veterans of the gold futures pit explain.

As the markets have become more expensive, many retail investors have bought into commodity pools which are able to trade futures much more efficiently than an individual. This has been accompanied by increasing use of futures as a hedging tool for gold mining companies, which were initially wary of using futures.

Comex has retained its grip on the world futures market for gold in spite of an extremely competitive environment. While it faces a battle to keep its dominant role in the face of competition from nascent futures exchanges around the world, Comex has also been confronted with an attempt by two rival domestic exchanges to erode its market share. Both the Chicago Mercantile Exchange and Chicago Board of Trade introduced new gold futures contracts last year in a bid to lure business from the Big Apple.

And they have not been without valid reason for doing so, Comex's history has been marred by several trading and clearing difficulties, not least the infamous failure of one of its clearing firms in 1985.

Most recently, the exchange was forced to improve its clearing system after a surge in gold and silver volume overburdened its clearing facilities in April last year. Comex was forced to close early for three days in order to sort out a backlog of some 50,000 unmatched trades.

Since then, the exchange has updated and computerised much of the manual work previously required for clearing, and contends it could cope efficiently with a similar volume surge. However, in the dull markets that have followed October's stock market crash, futures volume has been thin and patchy as Chicago's nascent gold contracts have discovered.

Both rival contracts had little time to establish themselves before the crash shook overall investor confidence in the markets and sent volume back to the most liquid markets.

As a result, the CBOT's gold futures traded just under 3,000 lots in April, while the CME's gold has hardly traded at all this year.

While stressing that the gold trade had requested the contracts as an alternative to doing business on Comex, both Chicago exchanges have tried various ways to lure business into their thinly populated gold trading pits. The CME even introduced a programme for awarding traders an incentive of a dollar payment every time they used the new gold contract.

In addition, the exchange has experimented with a change in the contract delivery points from London to New York, but as this did not work, it is currently in the process of changing back again.

The CBOT, which has had marginally more success with its 100-oz gold contract, has extended gold trading hours by adding both its gold and silver futures contracts to its additional three-hour evening trading session.

The exchange was hoping to attract orders from the Far East in the evening, but the contract's slow trading volume has led some traders to doubt the existence of a Far East market for US-based gold futures.

Comex made its own attempt at capturing business in the Asian time zone when it forged a link on gold futures with the Sydney Futures Exchange (SYFE) in late 1986.

However, since its inception, little interest has been shown in using the mutual offset arrangement, which allows traders to open positions in one market and close them in the other without incurring two sets of transaction costs. SYFE gold volume from the link has barely risen above 100 lots each month, although volume in March was close to 500 contracts.

The lack of enthusiasm surrounding the link and the CBOT's evening gold market has led Comex to put its own plans for an evening session on ice. The exchange has, however, done much to improve its image in recent months in an attempt to counteract the bad press it received over last year's clearing problems.

With Mr Hanemann, a veteran gold trader, appointed as chairman in March amid a pledge of strong leadership at the 54-year old exchange, Comex is working hard at expanding its product range. One of the ideas Mr Hanemann is pursuing is the possibility of trading gold and silver mining stocks alongside the corresponding futures contracts.

Deborah Hargreaves
Chicago

Gold supply and demand

Figures in tonnes for the non-communist world

	1985	1986	1987
Supply (Tables 1-3)			
Mine production	1233	1291	1373
Net communist sales	210	402	303
Net official sales (purchases)	(132)	(143)	(70)
Scrap	301	471	402
(A) Total supply	1612	2021	2008
(B) Fabrication demand (Table 4)	1469	1673	1589
(C) Net surplus (deficit) of supply over fabrication (A)–(B)	144	347	419
(D) Identified bar hoarding outside Europe and North America (Table 11)	310	220	275
(E) Net implied investment (disinvestment) in Europe and North America (C)–(D)	(166)	128	144

Source: Consolidated Gold Fields, 1988; totals may not add up due to rounding

AUSTRALIA

A costly promise

LAST JULY, as Australia's Labor Party was battling to retain power in an imminent general election, Mr Bob Hawke, the Prime Minister, wrote a letter to the Australian Goldmining Industry Council – "you have my undertaking," he *wrote*, "we will not introduce a gold tax during the next three-year term of the Labor Government."

That letter, it is now officially acknowledged, has just cost the Government A$750m. The cost is in the form of A$300m per year in revenues foregone from the gold tax which the Government announced last month, but was obliged to defer until 1 January 1991 – that is, until after the next election.

The announcement came in a mini-budget which included wide-ranging corporate tax reforms. To offset the cost of a corporate tax cut from 49 per cent to 39 per cent, the Government removed certain concessions. One of them was the exemption from tax enjoyed for so long by the country's gold mining industry.

The Government acted despite an extensive media campaign by the Goldmining Industry Council during the two weeks before the mini-budget. Gold mining, the council declared, was Australia's fastest growing export industry. Far from losing revenues by not having a tax, it claimed, the Government had actually gained, in terms of investment, export earnings and revenues from stock-market activity in gold.

Complex statistical comparisons aside, there is little doubt that 1988 is turning into Australian gold's most remarkable year yet – quite a feat for a country which has already enjoyed two massive gold rushes in its 200-year history.

Output in 1988 is expected to reach about 130 tonnes, exceeding the country's 1903 record of 119 tonnes. This is a sharp increase on the 1987 figure of 108 tonnes, which was itself up 44 per cent on the previous year and double the 1985 level.

On the exports front, the value of gold exports doubled in 1987, reaching A$2bn. This year it will be the country's third largest export earner after wool and coal.

As for the country's gold resources, the Government's *Bureau of Mineral Resources* published figures in March showing a 24 per cent rise in "demonstrated economic resources" of gold in 1987, to 1,274 tonnes. This was three times the total at the end of 1983.

These remarkable trends were more than illustriously reflected in the Australian share markets last year, when the stock exchange's gold index, covering 44 companies, reached a peak of 4,132 in September.

Then came the October crash, and gold share prices, having over-reached themselves, suffered more than most. The index plummeted to a low point of 1,354 in February, but has since rallied, reaching the 1,850 mark earlier this month.

The times are nevertheless different. Having enjoyed the benefits of a depreciation in the value of the Australian dollar, a buoyant international bullion price and the absence of a corporate income tax, the key question for gold companies now is whether the imposition of a tax – not to mention the recent strength of the local currency – will jeopardise the trend and hurt the industry.

There is little doubt that the strengthening Australian dollar, together with higher domestic inflation and the start-up of some high-cost mines, has hurt the country's favourable position as *one of the lowest-cost producers* in the Western world.

According to figures in Consolidated Goldfields' recent *Gold 1988* report, Australia's operating costs per ounce rose in 1987 to US$222, compared with US$209 for Canada and US$208 for the US. In 1986 it stood lower than both the US and Canada, and all three enjoyed cash operating costs below US$200 per ounce.

That said, it is clear that Australia's gold mines remain highly profitable given the current bullion price. The obvious impact of the new tax will therefore be to reduce their impressively large margins, though not as quickly or by as much as some might think.

The deferral of the tax to 1991 has provided one cushion. So has the rate: 39 per cent rather than 49 per cent.

Just as important, gold companies will be allowed to carry forward capital expenditures incurred before the 1991 deadline and deduct them from their taxable income after that date.

Some of the details of this must still be clarified, but analysts agree that gold producers will end up paying an effective rate of tax significantly lower than 39 per cent once they take into account the available tax deductions.

Beyond this, companies clearly have a greater incentive to re-assess their plans and the *timing* of their expenditures. For operations with short mine lives, "high grading" of an ore body seems to make economic sense. But such a move must be assessed against the possibility that the remaining orebody might be uneconomic in the new tax environment to come.

Companies might also be expected to bring forward their expansion and development plans in order to take advantage of the tax-free period. But one Melbourne broker says there is only a small number of potential mine and plant expansions of any significance which could reap benefits within two and a half years.

Major mines under construction, the firm adds, would be unaffected, while major potential mines would remain profitable with a 39 per cent tax rate.

Another firm, Ord Minnett, says that over the past few months gold companies have sold forward considerable quantities of gold at very attractive prices – up to A$700 per ounce. Depending on the future direction of the Australian gold price, it says it expects companies to deliver on these attractive contracts pre-1991 and thus boost near-term tax-free profits.

"If one assumes that Australia's annual production will average *160 tonnes over the next two* and a half year period, then about 400 tones or 12.9m ounces of tax-free gold will be produced," Ord Minnett says. That would mean tax-free operating profits of almost A$4bn generated before January 1991.

Unfortunately, the sharpness of this overall outlook is blurred somewhat by the fact that the uncertainties of a gold tax are not actually removed. Just as Mr Hawke wrote a letter to the Australian Goldmining Industry Council last year, so, too, did Mr John Howard, leader of the opposition Liberal party.

"We are totally opposed to the introduction of a gold tax," he wrote. "A Liberal Government would repeal any gold tax introduced by the Labor Government." Those who watch the Australian gold mining industry might therefore do well to prepare for a revival of the gold tax issue ahead of the next election, due in 1990.

Chris Sherwell

SOUTH AFRICA

Feeling the squeeze

STRIKING an easy balance between the needs of South Africa's gold mine-owners and the industry's 450,000 or more black miners is becoming progressively more remote. That, at least, was the impression given by the opening shots in this year's wage negotiating round at the end of May.

The mine-owners are struggling with steadily declining gold production and operating cost increases which are fast corroding profits and rendering vast tonnages of lower-grade ores unpayable.

On the other hand, the miners themselves have to cope with inflation which regularly overtakes hard-won wage increases. In the first quarter of this year the rand-cost of producing each kilogram of gold at Rands 19,181 was 22 percent higher than in the 1987's first quarter while the average rand gold price at Rands 29,970 had risen by less than 10 percent.

The narrower-margin combined with lower gold production to leave this year's first-quarter working profit more than 10 percent down on the industry's total in the corresponding period in 1987.

The cost/revenue squeeze does not affect the gold industry in isolation. As Edward Osborn, Nedbank's chief economist warns, the mines' entrenched cost inflation makes it imperative that the rand price of gold continues to rise.

If the dollar gold price fails to match mining cost increases compensation will have to be provided by steady devaluation of the rand which, in turn, implies steadily rising domestic price inflation.

The situation is critical. By this year's first quarter six major mines were suffering operating losses and nine or ten were in the red if capital spending needed to maintain production is added to working costs. Taken on its own the cost/revenue squeeze is a logical argument for moderate wage demands. But it is scarcely a logical argument for the migrant workers who have only been able to flex their industrial muscle for the past five years and who remain at the bottom of the industrial heap because of the colour bar.

They point to food prices rising at more than 17 per cent a year and the squeeze on the household budgets of their families in remote country areas.

This year the all-black National Union of Mineworkers (NUM) went into wage talks calling for 40 percent across-the-board wage increases, a minimum monthly wage of Rands 350 (US$160) and various other improvements to employment conditions.

The Chamber of Mines countered with an initial "negotiable" offer 10.5 percent. The opening scene was a re-run of that of last year's talks which ended in a three-week strike by over 300,000 men and the idling of large sections of the gold industry.

The strike marked the height of the NUM's official support. It ended with mass dismissals of strikers, particularly union officials, and a membership loss which leaves the union with some 210,000 paid-up members against 270,000 at its peak.

With fewer members to represent and organisational difficulties compounded by the loss of many shaft stewards fired during last year's strike, the union's leadership has grown more cautious even though NUM rank and file appear, if anything, to be more militant.

Nonetheless, the *union's* weaker position leads many mining company executives to forecast a fairly easy passage for this year's wage round and the unlikelihood of a strike to match 1987's. Even if there is no strike this year it is almost certain the country's total gold production will be lower than last year's.

Apart from a couple of years, when new mines started in the flush of confidence of 1980's record gold prices came on stream, gold production has been in decline since the 1,000 tonnes peak production touched in 1970.

Production is now back at the levels of the late 1950's and most mines are concentrating on sustaining gold production and curbing the unit cost of mining and processing each ton of ore by increasing ore milling rates.

The industry is running, but not fast enough to stand still. And though South Africa still produces more newly-mined gold than the rest of the world combined, its pedestal seems shaky. A number of comparatively small mines are under construction and a few others are in the pipeline adjacent to existing properties. But their production will be offset by the closure of limited life mines such as Bracken and Blyvooruitzicht in the next few years.

Jim Jones

CANADA

Big production rise

CANADA, in common with a host of other gold-mining nations, is currently in the midst of a sustained production boom.

Canadian output in 1987 totalled approximately 120 tonnes, still nearly 50 tonnes *below the record levels of the* early 1940s, but enough to make it the world's fourth largest gold producer. This compared with 104.7 tonnes a year earlier and just 50 tonnes (a 55-year low) in 1980.

At C$2.24 bn, the value of gold mined in Canada last year outstripped that of any other non-fuel mineral. More than 30 new mines have opened across the country during the past five years.

While the populous provinces of Ontario and Quebec together account for some 70 per cent of the country's gold output, the metal is now being produced in every Canadian province except *Prince Edward Island*.

With gold now accounting for about 75 per cent of total industry exploration expenditures (up from 55 per cent in 1984), there is every indication that current trends will continue.

Indeed, so single-mindedly has the mining sector joined the chase for the yellow metal in recent years that Mr Norman Keevil, president of Teck Corporation the Vancouver natural resources group, last month warned that Canadian base metals reserves are becoming dangerously depleted.

While the country's gold reserves have jumped by 94 per cent since 1981, Mr Keevil said, those of nickel, copper and zinc have fallen by 20-25 per cent over the same period.

Nevertheless, the thriving industry received a shock last year when the finance ministry announced that its popular flow-through share programme was to be modified as part of a tax reform package.

A very high proportion of gold properties currently under development in Canada have been financed at least in part by this system, which enables companies to pass on their exploration-related tax deductions to investors.

It is estimated that flow-through shares attracted more than C$500m to Canadian mineral exploration programmes in 1986.

Finance minister Michael Wilson's original tax reform package contained plans to retain the flow-through share mechanism *itself, which effectively* gave investors a 100 per cent tax write-off on each flow-through share owned, but to phase out a so-called mining exploration depletion allowance. This entitled investors to an additional 33.3 per cent write-off.

In May, however, the government gave notice that it had responded to intense industry lobbying by both delaying for six months the phased elimination of the coveted depletion allowance and implementing a new exploration incentive scheme intended to help junior mining companies.

Under the new scheme, junior resource companies that use flow-through shares will be able to claim from the government 30 per cent of their exploration costs, up to a ceiling of C$3m a year.

Companies have the option of keeping the grant or passing it on to investors. The initiative has done much to alleviate the worries of small companies who feared that the government's original proposals would undermine their efforts to raise capital. These efforts have in any case been adversely affected by the October stock market crash.

Besides rising production, the most noteworthy current trend in the Canadian gold sector is that of the consolidation of domestic mining interests.

In August, the largest western world gold producer outside South Africa was formed when shareholders of Placer Development, Dome Mines and Campbell Red Lake approved the fusing of these companies into a single entity: Placer Dome.

Since then, the decline in share prices has fuelled a series of takeovers of smaller companies by aggressive major mining houses, including Echo Bay Mines, Homestake Mining and Australia's Western Mining.

David Owen

Continued from page 5

Bullion gold coins battle

of the western world's gold bullion coin market.

(A third coin, the Ecu, issued by Belgium in March to mark the *thirtieth anniversary of the* signing of the Treaty of Rome, used more than 14 tonnes of gold from that country's official reserves but has received little marketing support so far and is not yet considered to be a threat to the "big four").

The Canadians reckon that during the first quarter of this year their *Maple Leaf came* back from behind to edge ahead of the Eagle.

Mr Jack Julien, vice-president for marketing for the Royal Canadian Mint, says the Maple Leaf had its best-ever first-quarter, with world-wide sales 4.2 per cent ahead of the same months last year at about 14.55 tonnes of gold.

He claims that the Maple Leaf increased its market share from 45 to 55 per cent while the Eagle had between 20 and 30 per cent.

The Nugget, with 10 to 15 per cent, and the Britannia, with 5 to 10 per cent, were trailing behind, according to Mr Julien.

He suggests the Maple Leaf has *improved its market penetration* because "it is the most liquid and most recognised gold bullion investment coin in all major gold trading centres".

That has certainly helped the coin at a time when most of the demand is coming from the Far East. As Mr Julien says, "the cost of gold per gram in Japanese yen has scarcely looked better" and Asians like to "downward average" or buy more gold when the price goes down.

In the Far East, the Maple Leaf's main rival is not the Eagle but the recently-launched Nugget. Mr Julien believes that this is because Asians prefer their coins to be like the Maple Leaf and Nugget and of 24 carats (99.99 per cent pure gold) whereas the Eagle and Britania are of 22 carat gold (91.67 per cent) as was the Krugerrand.

Canada and Australia are also putting much more marketing weight behind their efforts in the Far East so that in Hong Kong, which provides coins for gold-hungry Taiwan as well as the domestic market, the Maple Leaf *is distributed* by 45 banks with 750 branches and the Nugget is represented by 22 banks with 400 outlets.

There is still a question mark over the bullion coin sector and it is still not clear whether the proliferation of products will increase the overall level of demand or whether they will merely compete ever more aggressively for a share of the existing market.

One reason it is difficult to make forecasts is that the market was seriously distorted in 1986 when there was a huge programme to honour the sixtieth anniversary of the accession to the throne of Emperor Hirohito. That boosted gold used worldwide in coins to 317 tonnes.

The Japanese actually imported more than 200 tonnes of gold for the Hirohito coins which in theory were not meant to compete with the Krugerrand and Maple Leaf because the Japanese Emperors were issued at a premium of 150 per cent to the gold content whereas the other coins command a steady premia of about 3 to 7 per cent.

According to Mr George Milling-Stanley, author of Consolidated Gold Fields' annual review of the gold market, if the impact of the Hirohito is stripped out of the calculations, the amount of gold used in the fabrication of official coins grew last year by 40 per cent.

Between them the Eagle and Maple Leaf accounted for half the 207 tonnes of coins sold last year and the Eagle became the biggest selling official bullion coin in the world, he says.

Cons Gold reckons that the US fabricated 65.6 tonnes of gold into official coins while Canada accounted for 42.7 tonnes.

They were well ahead of the next group of countries: Japan, which issued a second tranche of Hirohitos (15.5 tonnes); Australia (15.4 tonnes); Belgium (14.4 tonnes); South Korea (13.7 tonnes); UK and Ireland (12.7 tonnes) and Turkey (12 tonnes).

Kenneth Gooding